Accountancy

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THE SOCIETY OF INCORPORATED ACCOUNTANTS

MARCH 1956

TWO SHILLINGS

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of

Incorporated Accountants

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Professional Notes

Economic Cut-Back

THE NEW CHANCELLOR has produced no dramatic plan for the hard-pressed British economy, but, at the same time, he has not shrunk from taking resolute action. Perhaps the anti-inflationary measures which everyone expects to follow in the Budget will show the imagination and originality now lacking. The cuts in the capital expenditure of central and local authorities and nationalised industries, to which Mr Macmillan has had recourse, will be slow in operation. The scrapping of the investment allowance (except for shipbuilding and capital expenditure upon scientific research), although the initial allowance takes its place, will reinforce Bank Rate at 5½ per cent. in dissuading industrialists from embarking just now on new investment in fixed assets but, again, the results will take time to show themselves. The "vigorously critical attitude" to be adopted by the Capital Issues Committee will work in the same direction. Perhaps the major early effect will be that of higher interest rates upon the re-stocking of industry with raw materials—a process which probably caused more pressure upon the balance of payments in recent months than has been commonly admitted.

Even if these measures are not all of them likely to have quick results, it is to the good if there is a realisation that, apart from the extreme urgency of stopping the drain on the exiguous gold and dollar reserves, our lack of balance is as much long-term in nature as short-term. An over-investment economy cannot at the same time be an over-consumption economy—and we seem determined to be both, not simply from time to time, but all the time. The pity is that if investment is cut over a long

period, there must be unhappy results for the national product. Yet if consumption is cut by the traditional methods, the cut is liable to be self-defeating. Thus, Mr Macmillan reduces the subsidies on milk and bread, but the effect may well be to stimulate wage claims that will add more, in the end, to the pressure of consumption demand than the rise in food prices subtracts. The larger down-payments on hire purchase agreements and control on the rental of some durable consumers' goods will, however, reduce consumption without sparking off a similar offsetting mechanism, and will also, since hire purchase of plant is affected too, help curtail investment.

Public attention is becoming more and more concentrated upon the high level of Government spending. It is ironical that the estimates, which could be provisionally computed when the new economic measures were promulgated, showed a further rise, from £4,598 million in 1955/56 to £4,720 million in 1956/57.

Running Electricity as a Business—

THE LEADING THEME of the unanimous report of the Committee of Inquiry into the Electricity Supply Industry (Cmd. 9672, price 6/6 net from H.M. Stationery Office) is that the industry should be made to run on strictly business lines. In one passage after another, keener commercial criteria are invoked than those that guide or govern the managers of this nationalised industry; recommendation after recommendation has efficiency and economy as the key-notes.

At present, the committee avers, tariffs—commercial, domestic and farm tariffs especially—do not apply the principle, the "ideal", of charging according to costs. Indeed, so far the industry has not even seriously studied the costs of supplying different classes of consumers. Again, district managers do not now prepare conventional balance sheets and profit and loss accounts for their units: they should be required to do so, and "should be encouraged to feel personally responsible for making their individual undertakings pay." So, too, if Parliament decides that the industry should incur expenditure, as on rural electrification, which by commercial standards would be avoided, the cost, says the committee, should be met by the Exchequer. Similarly, the report castigates the British Electricity Authority for not inviting foreign tenders for major items of plant because it considered it would not be in the national interest to buy from abroad—its responsibility is simply to generate electricity as cheaply as possible. There has been hesitancy, according to the report, in introducing operational research and work study, "the value of which is increasingly accepted in other industries"; the technical research programme is far too small, development and progress coming mainly from research organisations outside the industry. Board members should be paid higher salaries, comparable with those in private industry. The committee only just stops short of recommending that the Treasury guarantee should be removed from the stocks issued by the industry. It does, however, propose that each Area Board should go to the market for its own capital, instead of indenting on the Authority, which obtains its finance from the Ministry of Fuel and Power in global sums, periodically funded in the market. The Boards would thus have, through the discipline of the capital market, a "greater sense of personal responsibility for capital expenditure."

A far-reaching change of organisation recommended in the report is that the responsibility for generation of electricity should be separated from that for distribution. A new statutory corporation would take over the job of generation, including the building of new power stations and grids. The present Area Boards would be left to distribute the current. The Central Authority would be reconstituted, with general supervising powers over the corporation and the Boards. The weakness in this structure seems to us to lie in the fact that the Minister of Fuel and Power would, as the committee recognises, have powers of direction over the Central Authority on many, if not all, of the issues on which it supervised the bodies under it: the Authority, divest of its executive junctions and practically duplicated in its supervisory powers, might well be an ineffectual and unnecessary body.

—And Charging on Replacement Costs

THE COMMITTEE is emphatic that the charges for electricity should cover depreciation computed on the basis of the replacement costs of fixed assets. Only if replacement costs are used in the computation, instead of the historical costs that are used now, will consumers be paying sufficient to keep the assets intact. Further, the depreciation element should be shown before arriving at the surplus. "To have to add 'depreciation', 'surplus' and 'supplementary depreciation reserve', in order to see what consumers have been charged, and why, is confusing." The surplus of nearly £19 million shown by the Authority in 1954/55 was "misleading and confusing", for in fact it barely covered its costs, including in them depreciation on the replacement costs basis. We have in these columns argued these same points in commenting on annual reports of the British Electricity Authority.

Sir Edwin Herbert, LL.B., a Council member of the Law Society, was the chairman of the committee and it had two accountant members, Professor R. S. Edwards, B.Com., A.A.C.C.A., and Mr L. W. Robson, F.C.A., F.C.W.A.

Legal Aspects of the Restrictive Practices Bill

WE DISCUSS in our Editorial article (page 84) general aspects of the Restrictive Trade Practices Bill. The setting up of the Restrictive Practices Court is a departure of great interest from the legal and constitutional point of view. Though it will sit ordinarily in the same place as the High Court and its sittings will be presided over by a High Court Judge, it is not to be a division of that Court: the analogy of the Court of Criminal Appeal comes immediately to mind. The lay members, who will outnumber the Judges, are to be appointed by the Lord Chancellor as "qualified by virtue of . . . knowledge

of or experience in industry, commerce or public affairs". Here one thinks of the Trinity Masters, who are summoned as Nautical Assessors to the Admiralty Division. But there is no true analogy, for the Assessors are not members of the Court, but simply attend the Court, if they are needed, to give technical advice. The Court now proposed seems, indeed, to be without precedent—a "mixed" Court in which the opinion of the High Court Judge will prevail on any question of law, while on other questions the decision will go by a majority, which could be a lay majority.

To provide judicial man-power the Bill empowers an increase of three High Court Judges in England. But it does not make mandatory any increase at all. Indeed it is clear from the Bill that the Judges who will be presiding over the new Court will not necessarily be specialists in the work, but may be heavily engaged in one or other of the existing divisions of the High Court. If the under-employment from which the Judges of the Chancery Division have suffered for some time persists, the Lord Chancellor might nominate one or more of them to adjudicate in the new Court.

Trading agreements that must be registered under the Bill, and may subsequently be declared by the Court on an application by the Registrar of Restrictive Practices to embody or not to embody restrictions that are contrary to the public interest, are agreements of a kind described at length in the Bill. The description may give rise to conundrums over which lawyers will argue. " 'Agreement' includes any agreement or arrangement, whether or not it is intended to be enforceable . . . by legal proceedings." On the one hand, the definition of "agreement" is very wide; an understanding arrived at round the lunch table by a few manufacturers might be caught, and there are specifically brought within the net recommendations by trade associations to their members. The Registrar is given wide powers to compel the production of information —including powers to enter premises and take copies of documents found there—but the Bill cannot give any clue to how zealous he will prove in ferreting out "arrangements".

When the Registrar makes an application to the Court, the restriction in question is to be presumed contrary to the public interest unless proved otherwise by the defendant.

It is certainly unfamiliar, perhaps even unprecedented, to find the sole right to institute proceedings vested in an official, as it is in the Bill, and the onus of proving that there is no offence shifted to the defendant. A questionable feature of the Bill is that a party whose agreement is unsuccessfully impeached is not to be awarded costs.

Finances of the Health Service

THE COMMITTEE under the chairmanship of Mr. C. W. Guillebaud has given the National Health Service a clean bill of health. For, in all essentials, the committee has concluded that the service was well-planned in 1948—or, at least, that experience of it is so far too short to justify disturbing the *status quo*. In particular, the tripartite structure of the service should be preserved. Moreover, in none of the three branches—the hospital, specialist and ancillary services; the family practitioner services, including the pharmaceutical, dental and ophthalmic services; and the local health services, that is maternity and child welfare, ambulance transport and so on—is any major change in organisation called for. Only on the suggestion that the hospital service should at some later time be transferred to the local authorities is there a half-favourable comment by one member of the committee, Sir John Maude, in a reserving note. The committee does, however, suggest that it is time for Regional Boards to consider whether economy would be served by splitting up some of the large groups of hospitals and amalgamating some of the small groups.

On hospital finance, the committee finds the main weakness in the present method of allocating funds on revenue account to the hospital authorities to be the lack of a consistent long-term objective. Nevertheless, at present, a formula—whether related to regional populations, number of beds or other factors—to serve as a guide in allocating revenue to Regional Boards could not, it is concluded, be devised, but the committee is hopeful that with growing experience it could be.

It is satisfactory that the committee gives its approval to the introduction of departmental costing into the hospital service—experimentally at first in a limited number of hospitals, but later more extensively (see ACCOUNTANCY for September, 1955, page 334). Indeed, the committee goes further:

> Whilst we would agree that the subjective accounts must be retained at least for the time being, we would suggest that their retention be reviewed at a later date, after departmental costing has been expanded in the hospital service, to see if their continued retention is in fact essential. We are not concerned at this stage whether full departmental costing (as recommended in the "main scheme" of the English working party reports) is to be preferred to a costing system based on prime costs only (as recommended in the Scottish working party's interim report). Indeed, there are many advantages in our view in carrying out experiments on two different schemes in England and Wales, and Scotland, so that experience may be gained over a wider field and future extensions of hospital costing devised in the light of that experience.

A main shortcoming of subjective costing is that it fails to reveal to hospital departments how their annual expenditure varies in time and space; more important still, how actual expenditure compares with budgeted expenditure. The committee therefore urges that at hospital and departmental levels there should be a system of effective budgetary control enabling managements to set standards of efficiency and to check whether they have been reached. Further, "it is essential that all hospitals should have a system of accounts which will make budgetary control effective".

The committee is not in favour of the introduction of new charges on individuals for the National Health Service and does, in fact, look for-

ward to the removal of charges for dental treatment and spectacles. We suspect that not a few readers of the report will feel that the case for further charges for various services under the scheme is a stronger one than the committee consider it to be and that it is consistent with social and economic justice that charges should be levied.

A Practical Exercise in Social Accounting

FOR THE necessary statistics of the cost of the National Health Service the Guillebaud Committee commissioned a study under the auspices of the National Institute of Economic and Social Research. The work was undertaken by Mr B. Abel-Smith and Professor R. Titmuss and was published at the same time as the report of the committee itself (*The Cost of the National Health Service in England and Wales*, pp xx+176, Cambridge University Press, price 27/6 net). The general conclusions drawn by the authors of this study in social accounting, and carried over by the committee, are that when corrected for changes in the value of money and (a less important factor) for the rise in the population, the service cost only very little more in 1953/54 that at its inception in 1948/49. As a percentage of the gross national product, the current cost of the service was less in 1953/54 than in its first year—3.24 per cent. against 3.51 per cent. A wealth of statistical data is given in the book. Not all of it, however, seems sufficiently highlighted against the salient conclusions just quoted. For example, in the early years of the service the dental and ophthalmic services were extremely costly because of the first rush for free treatment, but subsequently there was a big saving on these services. The fact that in real terms the National Health Service as a whole cost very little more in 1953/54 that at its beginning is largely due to this fluctuation in two of its component services.

On the accountant the main impression of the book will be how many adjustments Mr Abel-Smith and Professor Titmuss had to make in the Appropriation Accounts of the Ministry of Health to arrive at meaningful figures of the cost of the services. Public discussion based on uncorrected published accounts, whether of the Health Service or other parts of the Government machine, is bound to be seriously distorted—yet the work of correcting the figures is seen to be a major piece of research, even for a single one of the social services. The lesson surely is that the present form of Government accounts needs to be drastically re-cast, *pace* the Crick Committee which several years ago gave its blessing to the antiquated accounting still followed by the Departments.

The Society's Annual Meeting

THE SEVENTY-FIRST annual general meeting of the Society of Incorporated Accountants will be held at Incorporated Accountants' Hall, London, W.C.2, at 2.30 p.m. on Wednesday, May 16, and will be followed at approximately 3.30 p.m. by the annual meeting of subscribers to the Incorporated Accountants' Benevolent Fund. The chairman at the first meeting will be the President of the Society, Mr. Bertram Nelson, C.B.E., and at the meeting of the Benevolent Fund Sir Frederick Alban, C.B.E., President of the Fund.

A Revolution in Professional Education?

PROFESSOR DAVID SOLOMONS plunged heavily into controversy in his inaugural lecture at the University of Bristol. He called for the scrapping of the system of correspondence tuition for accountancy. In substitution, entrants would have to spend three years at a university reading for a degree based on economics, accounting and law. The graduate would then have "three years of practical training in the profession . . . The three-year period after graduation would be divided into three equal stages of one year, each made up of ten months of office work followed by two months' full-time instruction on practical lines in a suitable training establishment". This establishment would be one in which the universities would have no part and its instruction would be personal and not by correspondence, and practical rather than theoretical.

Professor Solomons's remarks were directed more particularly at the Institute of Chartered Accountants in England and Wales, but they should no doubt be taken as criticisms of the educational system of the whole profession and as making suggestions for the reform of the complete system.

However one may regard the Professor's ideas in the context of long-term aims, it is surely clear that his objective could be attained only very gradually and in stages. A possible way of advance, it seems to us, is to aim first at requiring every entrant into the accountancy profession to spend a period in a university by day or by evening, even though he would not be reading for a degree.

But doubtless the whole tenor of Professor Solomons's lecture (reproduced in our contemporary, *The Accountant*, of January 28 and February 4) will provoke strong disagreement among many members of the profession. In order that an opposite opinion should be set down, for comparison against the Professor's, we give the views of one correspondent, with the *caveat* that we do not necessarily subscribe to everything he says. He writes:

> As a practising accountant, an examiner and previously a correspondence tutor, I disagree absolutely with the contention that the present educational arrangement—which consists broadly of articled clerkship, or its equivalent in the Society of a period of registered studentship, and correspondence tuition—is a bad system and should be replaced by university training on the general lines of the Certified Public Accountants in the United States.
>
> As to the combination of university courses with articled training, I have myself refused to take articled clerks on those terms, partly because I am sure that the clerk's first allegiance would be to his degree course and interest in the practical work would flag, and partly because I do not believe that adequate and varied experience can be obtained in the abbreviated time that would be devoted to the practical side. A student ought not to be allowed in public practice until he has had at least five years' full time

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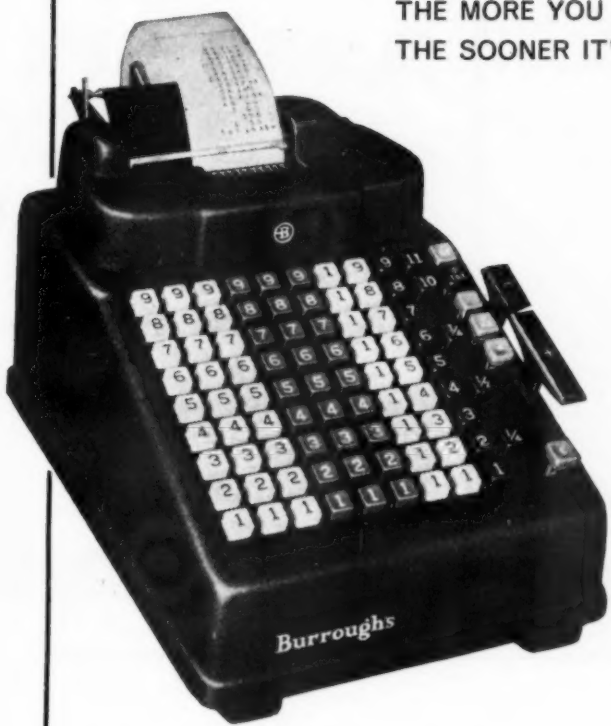

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work of a practical kind under supervision. Professor Solomons's two and a half years is far too short. I think, therefore, that the present correspondence courses are adequate for their purpose, provided the principal of the firm does his duty by his articled clerk.

A university degree is certainly desirable. But the way towards it is to encourage the accountancy student by scholarships and in other ways to take a part-time course, for a degree either in economics or law, perhaps by evening study, after he has passed his Final professional examination.

The two views could hardly be further apart. Some compromise may be the solution, but towards which view will it tend?

Suggestions for Mr Macmillan

THE SEASON of Budget representations is upon us. The *Association of British Chambers of Commerce* urges the abandonment of valuations in private companies on the assets basis for estate duty, successive rates of estate duty on successive slabs of value of property instead of the uniform rate, and the introduction of the Oversea Trade Corporation as recommended by the Royal Commission. The tax on petrol should be reduced, as an anti-inflationary measure. Earned income relief at the two-ninths rate should apply to a maximum income of £3,000 a year and surtax should start at £2,500. Several anomalies in taxation pointed out by the Royal Commission should be removed.

The Association asks that expenditure by the Government and nationalised industries should be deferred unless it passes "the test of necessity and urgency" (a phrase which could surely mean anything), and that saving should be encouraged by increasing interest rates on savings accounts and raising the limit on holdings of National Savings Certificates. Taxation should not be used in the attempt to ease the pressure of demand upon resources: it seems to have the opposite effect.

The *Institute of Directors* presses for a 50 per cent. reduction in surtax on incomes between £2,000 and £5,000 a year and a 25 per cent. reduction in those over the upper figure. Estate duty should be graded on gifts *inter vivos* so that if the giver lives for four years after the date of the gift, the duty on it would be reduced by four-fifths, and so on for shorter periods within the five years in which duty is payable.

The standard rate of income tax should be cut by 1s. in the pound, says the *Income-Tax Payers' Society*. The differential in the rates of profits tax should be abolished and surtax should start at £3,000 a year, all rates of the tax being reduced. The upper limit for earned income relief should be raised; child allowances should be graded according to income, to help parents who are paying for private education, and expenses should be allowed under Schedule E if they are "reasonably incurred for the appropriate performance of the duties of the office or employment," as recommended by the Royal Commission. Like the Chambers of Commerce, the Society does not think that budgeting for a surplus on income account is anti-inflationary.

All three bodies call for action on the tax treatment of retirement benefits for the self-employed, on the lines put forward by the second Millard Tucker Committee.

Better and More Frequent Company Reports

THE PLEA FOR interim statements of company results, made just over a year ago by Sir John Braithwaite, chairman of the London Stock Exchange, was reiterated by him last month in a speech to the *British Institute of Management* and the *Institute of Industrial Administration* at Birmingham. It is to be hoped that his appeal will not encounter the opposition that was aroused last time (see ACCOUNTANCY for January, 1955, pages 1/2). Sir John is surely doing a public service in urging that the issue of progress reports should become more widespread among the 5,000 or so companies with securities quoted on the London Stock Exchange. He did not fail to recognise that a number of companies had recently begun to issue such reports.

Improving the appearance and informativeness of the annual reports and accounts was a further topic of Sir John's speech. Again, we are in entire agreement with him. "Company reports", said Sir John, "should always be attractive to look at and to handle—good paper, good and imaginative printing, often illustrated and with diagrams, often using colour. The underlying idea should always be the same—to bring new life and more reality into what I may call the ownership side of joint stock enterprise." There were three rules for companies. Their annual reports should be easily understood by the investor who was not a professional. The reports should give a full picture to the employees of the company. And, by being attractively set out, they should have advertising value. Sir John freely acknowledged the advance that has occurred in the last few years and on which we have commented in our feature *Points from Published Accounts*.

Sir John also called for simplification and uniformity in the "terms and phrases in which we discuss the economics and the accountancy of our national and business affairs". The accountancy bodies, he affirmed, should standardise the meaning of accounting terms; it would be of great value, for example, if a common understanding could be reached on what are profits, what is their nature and how they are produced.

Shares without Votes

NON-VOTING Ordinary shares, issued by directors to maintain control without a majority interest, are commonly disguised, usually by being designated as "A" shares. The practice should become less usual for new issues of shares, now that the London Stock Exchange is recommending that the words "non-voting" should be included in the description of the shares. But the exchange is doing no more than to make a recommendation for new issues. It is not making acceptance of the recommendation a condition precedent to the grant of a quotation in non-voting shares, not is it doing anything about shares with restricted voting rights. Further, it says that it would be impossible to insist, without legislation, upon companies altering the title of existing securities.

However, it accepts the view that the existence of the non-voting share tends to contravene the commonly accepted doctrine that the equity shareholder should have a voice in the control of his company and carries inherent dangers for the uninformed investor.

Those who are concerned to see that financial affairs are conducted on the highest possible standards, while welcoming this advance, will regret that it is such a limited one.

Incorporated Accountants' Course at Cambridge

A COURSE FOR Incorporated Accountants will be held at Gonville and Caius College, Cambridge, from Thursday evening, September 20, to Tuesday morning, September 25, 1956. The programme is not yet complete but papers will be presented on taxation, electronic accounting and the reconstruction of companies.

Fuller details will be published shortly. Applications from members of the Society of Incorporated Accountants to attend the course should be sent to the Secretary of the Society at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.

New Goods Rates for the Railways—

PROFOUND CHANGES in railway freight charges are at present the subject of discussion before the Transport Tribunal. The tribunal has been sitting at intervals since last October to consider the proposed Railway Merchandise Charges Scheme put forward by the British Transport Commission. Before effect can be given to the scheme, which is designed to enable the railways to play their role in a competitive transport market, approval by the tribunal is necessary. Statutory authority for the scheme is in the Transport Acts of 1947 and 1953, the second of which provides for fundamental changes in the practical and legal basis of freight charges, aimed at enabling the railways to compete more effectively with road haulage, which is unfettered by charging statutes.

The railways are now obliged, under the law on undue preference, to carry for all traders at the same charges in similar circumstances. The scheme would relieve them from this and other statutory obligations. Maximum charges would be fixed for the future, rather than standard charges. But the actual rates to be charged within the maximum would be left entirely to the discretion of the Commission, and its discretion would be exercised on purely commercial considerations. Only the maximum charges would need to be published; the actual charges would result from private commercial transactions exactly as they do with the majority of road hauliers. In fact, it is freely said that the scheme would encourage a more natural division of traffic between road and rail, each carrying that for which it is best suited.

Another fundamental departure from the traditions of railway rates lies in the basis of charging. Instead of being based on the *ad valorem* principle—in railway parlance, "what the traffic will bear"—the new rates would be on the cost of transport, and so would again be in line with road haulage practice. Two factors would go into the assessment of the proper charge for a consignment of goods—its weight and its "loadability". Loadability is a term coined by the experts on the Commission and, if somewhat inelegantly, fills a gap in the transport vocabulary. It is defined briefly as the greatest weight of the goods that can be loaded into a standard open 10-ton wagon. Obviously, the greater the density of loading the lower will be the charge per ton. The objective is to secure the most economic use of all railway wagons by having consignments of the largest possible size—by discouraging, in effect, the tendering of small lots that still require the use of a separate wagon. Those who tender in full wagon loads would be offered rate concessions.

—And the Underlying Costings—

INTRODUCTION of a charges system founded upon costs requires that the railway undertaking should know what its costs are. Hitherto, it has been pleaded that accurate costing of traffic was an impossibility, principally because so many of our lines are shared by both passenger and freight trains. Now, however, the Commission has established a "traffic costing service". The service was employed to secure cost figures which were put in at the inquiry in the form of tables. Three principal tests were carried out: mileage run by, and loading of, freight trains by category and route; staff costs, wagons handled and traffic passing at all stations, both passenger and freight; and traffic density over lines used for freight only (with certain exceptions where there was also passenger traffic of a minor character). The difficulties of carrying through a fundamental recasting of the charging process can be envisaged from the complexity of these costings.

—And Traders' Objections to the Scheme

THE TRIBUNAL has heard organisations of users voice their objections to the scheme. Certain of the nationalised Boards are also entering submissions. Traders are criticising the proposed maximum charges, many of which are very much higher than the present standard charges as adjusted by post-war increases. The traders feel that the charges should be a real ceiling, "not a starry firmament high above . . . realities". The fear of the basic industries (such as coal and iron mining), which inevitably depend largely upon transport by rail, is that the statutory safeguards against exploitation by the railways may prove insufficient and slow in operation.

Other traders see the abandonment of a detailed classification of merchandise for the assessment of charges as a grave defect. Some of the objectors believe that there could still be a simple published classification allied to the new principle of loadability. They stress the difficulties the small user would meet in trying to ascertain what was the proper charge for his traffic.

We have mentioned but a few of the important issues raised in the bringing forward by the railways of their new charging scheme. Consideration of these and other issues by the tribunal will take some considerable time. Even when the scheme is settled there will be, as promised by

the Commission, a systematic and progressive review of all existing rates before it is decided whether they are to be adjusted. Years must, in fact, elapse before the new framework of charges takes firm shape.

Mr. Ernest Evan Spicer

The accountancy profession suffered a severe loss by the death on February 13 of Mr. Ernest Evan Spicer, F.C.A.

Mr. Spicer was 77 years of age. On qualifying as a Chartered Accountant in 1902 he joined with the late Mr. E. C. Pegler, F.C.A., to found the firm of Spicer and Pegler, of which he had been senior partner for many years at the time of his death. From 1937 to 1952 he was a member of the Council of the Institute of Chartered Accountants in England and Wales.

Mr. Spicer will be remembered chiefly for his prodigious services to professional education for accountancy. As newly qualified members of the Institute, he and his partner, Mr. Pegler, took over the accountancy tuition for the well-known coaching organisation, H. Foulks Lynch & Co., Ltd. One of their many new and successful ideas was the initiation of a series of textbooks. These books, kept up to date by frequent revision —latterly by other hands—are regarded as standard works by practising accountants as well as students. Mr. Spicer retained control of H. Foulks Lynch & Co. until 1928.

Readers of ACCOUNTANCY have derived both profit and entertainment from Mr. Spicer's witty series of articles, *Leaves from the Notebook of a Professional Accountant*, which have appeared in our columns since 1949.

Outside his professional work Mr. Spicer found time for many other interests. He was fond of animals, and as a young man had almost a menagerie in his house. He was a member of the Magic Circle and a producer of magical shows. Hospitals and other charities in Chislehurst, where he had lived since 1912, owed much to his support. He was an active member of Chislehurst Conservative Association, and of the cricket club.

The funeral took place on February 16.

Shorter Notes

Tax Encouragement for Retirement Benefits?

A deputation of the General Council of the Bar, the Law Society and the Institute of Chartered Accountants in England and Wales went to the Treasury last month to urge legislation to carry into effect the recommendations on retirement benefits for the self-employed made by the recent Millard Tucker Committee and the Royal Commission on Taxation. The deputation represented more than 20 professional bodies, among them the Society of Incorporated Accountants.

How Much is "I"?

The new inquiry into capital expenditure ("I" in the economist's nomenclature), noted in our issue of August last (pages 283/4), has produced its first results. Manufacturing industry estimates that it will increase its total investment by 17 per cent. this year over the figure forecast for last year. The increase in investment in plant, machinery and vehicles is estimated at 15 per cent., and that in building work at 27 per cent. The industries in which total capital expenditure is estimated to increase most are: vehicles (41 per cent.), iron and steel (41 per cent.), metal manufacture, including iron and steel (39 per cent.) and chemicals (34 per cent.). The increase that occurred last year over 1954 is estimated at 18 per cent. in total—14 per cent. in plant, machinery and vehicles, and 34 per cent. in building.

Finance for the Landowner

A leaflet of the Ministry of Agriculture, *Financing Improvements to Land and Buildings* (price 6d net) sets out the various ways in which funds can be obtained by the landowner to help pay for "fixed equipment". The term means, not fixed assets, but buildings (including houses), roads, fences, hedges, ditches, water supplies and field drainage.

Changes in Bankruptcy Rules

Rules 128 and 130 of the Bankruptcy Rules, 1952, on the time for appealing and service of notice of appeal in bankruptcy proceedings, are revoked by S.I. 1956. No. 117 (L. 1). The Rules of the Supreme Court (Appeals), 1955, now regulate these questions. The Statutory Instrument also makes minor and consequential changes in Rules 129 and 131.

More Funds in Stocks

Statistics collected by the Board of Trade show that estimated stocks and work-in-progress in industry of £3,600 million at the end of 1954 had increased by 12 per cent. at the end of September last. Part of the increase is to be ascribed to higher prices, but the additional £430 million or so had nevertheless to be financed at a time when credit was becoming short.

Stamp-Martin Seminar

Professor B. R. Williams, M.A., Professor of Economics in the University College of North Staffordshire, will lead the discussion at a seminar, arranged by the Stamp-Martin Professor of Accounting, to be held at Incorporated Accountants' Hall, London, W.C.2, at 6 p.m. on Friday, April 6. The subject will be *The Objective Basis of Investment Decisions*. Any reader who would like to attend is asked to send advance intimation to Mr. T. W. South at Incorporated Accountants' Hall.

The Revenue Year

The report of the Inland Revenue for the year ended March 31, 1955, the ninety-eighth in the series, provides the usual plethora of statistical information, with the tax history of 1944/55 in words as well as in figures. The report (Cmd. 9667, obtainable at 5s. net from H.M. Stationery Office) is, in fact, the complete "documentary" of direct taxation for the year.

Improved Accounting for Trading Estates

In its record report for 1955/56 the Select Committee on Estimates recommends that there should be introduced for all the trading estates run under the Board of Trade "a uniform system of accounting . . . which would make due allowance for uneconomic expenditure deliberately incurred for social reasons". Separate accounts should also "be printed in the fullest possible form for each development area showing, as is normally done in accounts of this type, corresponding figures for the previous year." The sub-Committee of the Select Committee was "astonished" to learn that the Board of Trade never attempted to make use of accounts in framing its policy for the development areas.

EDITORIAL

Rounding-up the Price Rings

THE long-awaited Bill has teeth, and even if they are not sharp ones, neither are they milk teeth. The Government has gone much further towards curbing what have become known as "restrictive practices" than most of its industrialist supporters like, yet the curbs will be too slow in showing themselves to satisfy liberal economists or official Opposition. And monopolies, as distinct from businesses that indulge in restrictive practices, are not to feel the bite of legislation—at least not just now. It was undoubtedly wise, nevertheless, to plan the initial attack on the use of restrictions, rather than on single-business monopolies. For restrictions are much more pervasive than simple monopoly power and the economy can be made freer the more quickly by tackling them first.

The Bill shows most fight in making unlawful all forms of collective enforcement of resale prices, including the stop-list and other boycotting devices. The private trade court, set up to try traders who undercut the prices of branded goods, would disappear on the passing of the Bill. Anyone practising collective enforcement would be liable to civil proceedings, but not to criminal proceedings. Thus the restrictive practice of which the public most disapproves—the majority report of the Monopolies Commission on "collective discrimination," issued at the middle of last year, is probably the main cause of the dislike—would be completely barred. It is unfortunate that, in contrast, the Bill goes out of its way to give individual price maintenance the full backing of the civil law. Anyone who fixes resale prices, provided he is not doing so in collaboration with anyone else, may bring proceedings against a trader who cuts prices, even if there is no contractual relationship between the two parties. The Government is thus giving individual price-fixers legal sanction—which common law, despite the leniency of the Courts towards restrictive practices, has not given.

Price rings, "level tendering", the sharing of the market, exclusive dealing, in fact all agreements providing for mutual restrictions on prices or other conditions of the supply of goods, are to be registered. The register is to be kept by a Registrar of Restrictive Trading Practices, who will be appointed by the Crown. The Board of Trade will fix the dates at which various types of restrictive agreements are to become subject to registration. The intention is to make liable to registration all known kinds of restrictive practices, not only the six kinds that the majority of the Monopolies Commission reported upon under the heading "collective discrimination" and wished to proscribe. But, on the other hand, the outright prohibition sought by the majority of the Commission finds no place in the Bill. Instead, a practice after being registered is to be pronounced upon, on the application of the Registrar, by a new Court, the Restrictive Practices Court, which will decide whether it is or is not in the public interest. The onus will be upon those who operate the practice to show that it is justified on at least one of seven specified grounds—if they do not discharge this onus the practice will rest condemned.

It is good that the Court is to have a majority of lay members over its High Court Judges. Not only would the softness of the ordinary Courts towards restraint of trade have made people doubt whether a purely legal membership of the new body would have been severe enough, but also there will be complicated problems of a business and economic kind in applying the stated criteria of the public interest. This will be seen from a mere glance at two examples from the seven. The public interest may be served if the restriction is "reasonably necessary for the protection of the public in connection with . . . goods requiring special knowledge or skill". It may be served, again, if removing the restriction "would be likely to have a serious and persistent adverse effect on the general level of unemployment in an area . . . or to cause a substantial reduction in the volume or earnings of the export trade." These and the other saving clauses are very widely drawn, if they do not, indeed, leave wide open gaps in the fabric of the Bill. The danger is that, even with lay members of the Court preponderating, many practices may slip through because the letter of the law will be writ in generalised phrases, though the practices may clearly offend its spirit.

Another obvious criticism is that it will take a very long time to try the registered practices, even with the Court sitting in three divisions. Probably the first will not be arraigned until the summer of next year, and there is ample scope for delaying tactics by clever lawyers and other advisers. It is true that those who argue that the practices should be proscribed forthwith presumably do not deny the right to appeal against the proscription. But though it would take as long to hear the appeals as it would to try the registered practices on the present plan, there is the salient difference that on that plan the practices would continue until found not to be justified, whereas by the alternative approach they would cease until their appeals were granted.

The Monopolies Commission, stripped of work on restrictive practices, will have only 10 members instead of the present 25. It will inquire into single-business monopolies or near-monopolies as it does now. No doubt many sessions of the Restrictive Practices Court will be held before any more drastic action will be taken against the monopolist—the monopolist, that is, who does not justify his monopoly by producing and selling cheaper than in competition—but the new Bill will at least make the climate of opinion inclement for him.

Our contributor contends that accountancy practice in the recording of sales is incorrect. He supports his case by reference to commercial contracts of sale as at present transacted. He also argues from the legal definition of a "sale", which is different from "an agreement to sell".

What is Turnover?

by F. A. Roberts, A.S.A.A.

A MISCONCEPTION about the contract of sale has resulted in the development of a standard accounting practice which, it is submitted, cannot be sustained. The Sale of Goods Act of 1893 is said to be an excellent example of clear and practical legislation, though its language occupies comparatively few pages. Is it accepted that no figure should be included as a sale unless it be so in law? If it is so accepted, then one must refer to Section 1 of the Sale of Goods Act, when it will be found that there is a marked difference between an agreement to sell and a sale. The agreement to sell is merely the contract between the prospective purchaser who offers to buy and the prospective seller who accepts the offer: the sale is the passing of the legal property (the ownership) from the latter to the former—in other words the completion of the agreement to sell.

It can now be said that as a sale results only upon the passing of the legal property, it must follow that there should be no accountancy record under the caption of sale until this event: moreover, as the invoice is a notification to the customer that upon the date shown he has become indebted to the supplier, it is clear that the date of the invoice should be that when the property passes, as until this event there can be no indebtedness.

In examining the system of internal check subsisting in an organisation the accountant will take particular note if he discovers that there is a risk that goods may be despatched from the premises of his client without being invoiced: he regards despatch and invoicing as coincidents. It is interesting to consider whether this is correct.

As to the f.o.b. shipment, authorities clearly show that if there is unconditional appropriation the property in the goods passes upon their being loaded on board at the port indicated. With the c.i.f. shipment, similarly, the passing is upon the receipt by the buyer or his agent of the shipping documents—bills of lading, certificate of insurance and so on—the locus of the goods having no relevance.

If payment is arranged through the medium of a sight draft the passing of the property is upon payment—and payment by the essence of the arrangement is upon receipt of the goods.

These three references are typical of export trade and in each it is clear that there must be an interval of time—sometimes several months—between the despatch of the goods from the premises of the supplier and the transfer of the legal property in the goods to the customer. If in any one of these three examples an invoice is drawn and a sale recorded on the day of despatch, instead of at the time of passing, the turnover is not properly stated because it includes figures that are not sales at law.

If the intervening period overlaps the end of an accounting period taxation on the element of profit on this so-called turnover is anticipated by at least a year, and with a change in the rate of tax or the repeal of an existing tax the client may suffer financial detriment both in the amount of tax and in the anticipation of its payment.

It may be interesting to consider in some detail the accountancy and audit procedures usually followed where sight drafts are used. An exporter draws a sight draft upon his customer only if he is not prepared to grant credit. The usual procedure is that the sight draft is handed to the exporter's bankers who, through their foreign agents, will ensure that the customer receives the goods only upon honouring of the draft—upon receipt of equivalent cash. The sight draft transaction is no more than a cash sale: the quintessence of it is that the legal property passes upon payment for the goods. As there can be a sale only upon the legal property passing there can be no sale conducted through the use of a sight draft until the receipt of cash.

In the writer's experience the accountancy *modus operandi* is usually thus—when the goods leave the shipper the account of the customer is debited and sales account credited; at the same time the bills receivable account is debited and the account of the customer credited. If the accounting year of the exporter ends before the draft is honoured the amount of the draft will appear in the balance sheet under the caption of "bills receivable". While this satisfies the mere book-keeping mechanism that every debit must have a credit, it surely cannot be necessary to add to what has already been stated in order to establish that such treatment is no less than fantastic. One simple sentence is therefore sufficient—there can be one and only one proper entry, the debit to cash upon receipt of the money and the corresponding credit to sales. Until receipt of the cash the goods remain as the stock of the exporter and no profit is earned.

Cases are known where the auditors call for verification by the exporter's bankers of the existence of sight drafts. If called upon so to do on proper authority, banks will of course certify whatever they hold on behalf of others. But if it is appreciated that a sight draft unlike a period bill is not an asset of the exporter, one may wonder what purpose is served by calling for verification of an asset which is but a figment. The verification needed is that the bankers hold the goods which are, and should be, included in accounts as part of the stock of the exporter at valuation on the usual basis.

From leading textbooks on the law of contract we learn that most commercial contracts are entire, as distinct from severable. In an entire contract no profit is earned by the supplier of the goods until the ownership in the complete units of goods ordered has passed to the customer. If a printing concern orders 12 printing machines at £1,000 each, it is usually to be assumed that a smaller number will not satisfy its requirements—in other words the contract is entire. It may be a term of the contract that there will be three monthly deliveries of four machines each. In such circumstances, following the present accountancy practice the account of the customer will be debited and the sales account credited each month with £4,000. As this figure includes an element of profit it is clear that the accountancy treatment is not in accordance with legal principles. In this case there is a growing debt as the deliveries are made but it can be only for the cost of the goods delivered: the profit wholly accrues upon the third delivery. Here again, if the third delivery falls after the accounting date the earlier observations about resultant financial detriment in the form of taxation will apply.

What argument can be adduced against the contention that in the preparation of any statement of turnover the question of the passing of the legal property is of profound importance? What authority is there for treating despatches of goods from suppliers' premises as sales by reason only of the despatch?

No reference has so far been made to home trade but the same principles apply. The travelling sales representative returns to his hotel after his day's toil, and tells his colleague traveller that he has had a very good day, having sold £*x* worth of goods. In law he has sold nothing: he has merely negotiated an offer to buy by the potential customer. When his employers accept the order, there is then in subsistence merely an agreement to sell. Upon the legal property passing, and then only, a sale will result.

A knowledge of the Sales of Goods Act may be of little assistance to a travelling sales representative. To members of the accountancy profession it is submitted that its practical application is essential.

One faces opposition to the views which have here been expressed, and wonders whether the audit programme of the future will direct the attention of those in charge of the audit to the necessity for ascertaining the point of the passing of the legal property. Will the accountancy textbooks of the future, in dealing with the recording of sales, refer to Section 1 of the Sales of Goods Act, 1893, or are its provisions to be divorced from accountancy practice?

The writer has received support in his views from Canada. In a recent publication from the United States, *The Inventories*, by Frederick Staples (reviewed on page 104 of this issue), there are references to the argument—necessarily brief references—and this book may perhaps arouse the interest of American accountants in the question.

Whatever else, this field of review is fundamentally important: it should invite the interest of the profession, particularly as no principles of law are involved beyond those within the curriculum of the education of the accountant.

Buying Out Dissentient Shareholders

[CONTRIBUTED]

There have been few decisions in the Courts on Section 209 of the Companies Act, 1948. Section 209, which replaces Section 155 of the Companies Act of 1929, gives a transferee company power to acquire shares of shareholders dissenting from a scheme of transfer approved by the majority. Section 155 of the old Act did lead to several judicial decisions, and they have influenced the interpretation of the new Section 209, as is shown by the latest ruling on the subject, that of Mr. Justice Wynn-Parry in *Re Western Manufacturing (Reading), Ltd.* (1955, 3 All E.R. 733).

One of the questions interesting dissentient shareholders is the extent of their right to receive information about the implications of the proposed scheme or contract for the transfer of shares to the new company. This right is limited. "The decided cases appear to me to indicate", said Wynn-Parry, J., "that a shareholder whose shares are made the subject of such a scheme or contract as is contemplated by Section 209 of the Companies Act, 1948, has very limited rights (if any) to further information than that given in the circular setting out the terms of the offer". The Section is an elaborate one, containing various procedural safeguards in the interests of the dissentients. The opening paragraph of

the first sub-Section may be set out in full:

> Where a scheme or contract involving the transfer of shares or any class of shares in a company (in this Section referred to as "the transferor company") to another company, whether a company within the meaning of this Act or not (in this Section referred to as "the transferee company"), has, within four months after the making of the offer in that behalf by the transferee company been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary), the transferee company may, at any time within two months after the expiration of the said four months, give notice in the prescribed manner to any dissenting shareholder that it desires to acquire his shares, and when such a notice is given the transferee company shall, unless on an application made by the dissenting shareholder within one month from the date on which the notice was given the court thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company.

The Section does not state the principles which should guide the Court in deciding whether or not to intervene in the transfer procedure when an application is made. But when a statute gives the Court powers to exercise or not according as it "thinks fit", the Court is not intended to have a purely arbitrary discretion in the matter. It is a judicial discretion, to be exercised in accordance with appropriate principles but after taking note of the particular circumstances.

Onus of Proof on Dissentients

It seems to be established that the onus of proving grounds to justify interference by the Court is on the dissenting shareholders. Once ninety per cent. or more of the shareholders have approved a scheme or contract it is presumed to be beneficial to the whole number until the contrary is shown. The Act itself does not put it like this but this is the effect of the decided cases.

In a case on Section 155 of the 1929 Act, *In re Evertite Locknuts, Ltd.* (1945, Ch. 220), Vaisey, J., said that the Section was of a somewhat curious character, and that it gave no indication of the grounds on which the Court should intervene to make an order preventing the transferee company from acquiring the shares of a dissenting shareholder. The Section had been previously considered by Maugham J. in *In re Hoare & Co., Ltd.* (1934, 150 L.T. 374). It was there held that if not less than nine-tenths of the shareholders in the transferor company approve a scheme, *prima facie* the offer must be taken to be a fair one, and that the Court will not "order otherwise", so as to prevent what is described, with more or less accuracy, as the expropriation of the dissenting shareholders' shares, unless it is affirmatively established, in the face of the apparent views of the large majority of the shareholders, that the scheme is in point of face unfair.

In his judgment, Maugham, J., said: "I think it is manifest that the reasons for inducing the Court to 'order otherwise' are reasons which must be supplied by the dissentients who take the step of making an application to the Court, and that the onus is on them of giving a reason why their shares should not be acquired by the transferee company". After criticising the use of the word "expropriation" as being not altogether apt to the circumstances of the case, he went on to say that without expressing a final opinion on the matter, because there might be special circumstances in special cases, he could not see that he had any right "to order otherwise" in such a case as he had before him, unless it was affirmatively established that, notwithstanding the views of a very large majority of the shareholders, the scheme was unfair. In that particular case, where the dissentient shareholders represented .14 per cent. of the share capital, he directed that the transferee company should pay the costs of the dissenting shareholders, who failed in their application for the Court's intervention, and he also allowed them certain interest, which he described as "a small solatium" appropriate in the circumstances.

Information Available to Dissentients

The dissenting shareholder who applied to the court in *In re Evertite Locknuts, Ltd.* did not attempt to say that the money offer for each share made to him, as to the rest of the shareholders, was unfair or adequate. What he said was that at the time when the offer was made, and when he was called on to consider whether or not he should accept it, he was without sufficient information, or perhaps without any information, about certain relevant facts on which he could have based his conclusion one way or the other. He took proceedings against the transferee company, not the transferor company, but his specific grievance or complaint about lack of information was obviously one which he could not urge against the transferee company. That company was rightly made the respondent in the proceedings as the applicant was asking the Court to prevent that company from acquiring his shares, but the particular complaint about being kept in the dark should have been addressed to the transferor company.

The transferor company was a company with a share capital of £20,000, divided into Ordinary shares of a nominal vale of 1s., and a smaller number of Preference shares of 5s. each. The offer was to purchase the whole of the share capital at the price of 1s. 3d. for each 1s. Ordinary share, and 6s. 3d. for each 5s. Preference share. The offer was approved by the holders of over ninety-four per cent. in value of the Ordinary shares, and of all the Preference shares. The applicant was the holder of Ordinary shares of the nominal value of £28 in all. His point was that the transferor company had as its principal asset a large holding of shares in another company and that the directors of the transferor company witheld from him information in their possession, or under their control, with regard to the position or prospects of that other company. Vaisey, J., felt bound to say that he thought that the information which the applicant received was a little meagre, but he had no materials to enable him to say whether any information with regard to the company was

withheld, and, if so, whether it was withheld improperly. The difficulty he felt was that, if once it was conceded that a scheme of the kind could be upset merely for the reason that a shareholder was not given all the information which he might require or might expect from the transferor company, there would be no limit to the inquiry on how far his demands for disclosure ought to be conceded.

It was possible that the applicant in this case had some grievance against the directors. But Vaisey, J., was quite satisfied in his own mind that he would be going much further than Maugham, J., was prepared to go in *In re Hoare & Co., Ltd.* if he said that it was not necessary for a dissentient shareholder, making an application under the Act, to establish unfairness, but that it would suffice if the applicant merely said that he regarded himself as, or was in fact, unprovided with all the materials on which he could come to a just conclusion with regard to the acceptance or rejection of the offer.

In concluding his judgment against the applicant's claim, Vaisey, J., made the following consolatory observations: "I should like to adopt Maugham, J.,'s expression of sympathy with the small shareholder who feels aggrieved at being overborne by the overwhelming numbers of his fellow shareholders. I think that the Court should always be ready to consider the objections of those who may be prejudiced, or may feel that they are being prejudiced, by the very drastic terms of the Section. At the same time, it seems to me that if I were to accede to this present application, the whole matter would be left in a condition of quite intolerable uncertainty, and that it cannot be right that one shareholder, owning one-seven-hundredth part of the shares affected, should be entitled to stand put against the decision of the 699/700ths of the share capital, merely because he has, as he thinks, been left somewhat in the dark in regard to the material facts."

[*To be concluded.*]

Taxing Outside the Acts

[CONTRIBUTED]

IN TAXATION MATTERS especially, the increasing volume of extra-statutory legislation is of concern to the accountant. It lays down law outside the taxing Acts—thus, detailed rules for the carrying into effect of a general provision of the Acts are often decreed by Statutory Instruments. The extra-statutory legislation has the force of the Acts and sometimes appears even to override them.

The general criticisms of extra-statutory legislation are well known. But Statutory Instruments have at least one saving grace—they are published for all the world to see. Far worse are arrangements entered into between the Inland Revenue and a class of taxpayers, affecting the computation of taxation payable by those within the class, but not incorporated in the taxing Acts and not officially published, as Statutory Instruments or otherwise. Aside entirely from non-members of the class of taxpayers, some members of it may well remain in ignorance of the arrangements, which often are not available to the accountant in his capacity of tax adviser, except on his searching enquiry.

Most practitioners will be able to call to mind from their own experience at least one instance of semi-private arrangements of the kind. A recent instance is the arrangement made by the Inland Revenue with the National Farmers' Union, agreeing to allow final cereal deficiency payments to be brought into account not on the "legal" basis but when ascertained. The Inland Revenue did not publish or publicise the agreement; it was made known by the other party (we gave the particulars in our issue of August, 1955, page 305). Another example, one that is less generally known, is that of the arrangements made with Lloyd's underwriters. Paragraph 11 of the 21st Schedule to the Income Tax Act, 1952, which governs the Underwriters' Special Reserve Fund, provides that the arrangements may be varied with the consent of the Commissioners of Inland Revenue and the Board of Trade. At least one material variation made under this paragraph is not to be found in any Income Tax Act.

Only recently has the Inland Revenue started to publish extra-statutory concessions, and then only as an appendix to the annual report of the Commissioners of Inland Revenue. But there remain concessions that are still unpublished—though, to be sure, what constitutes a concession of general application, as apart from an arrangement reached with a taxpayer in the circumstances of his individual case, may be open to differences of view. The non-publication of some concessions and the relatively obscure publication of the others may, admittedly, be less deplorable than the continuance of concessions at all. For if a general concession is necessary it is time to amend the relevant provisions of the Acts rather than deliberately to ignore them.

Ideally, it should be possible to resolve any taxation question by reference to the taxing Acts as interpreted by decisions of the Courts. In these days of complex taxation it is perhaps essential to go outside the Acts themselves to Statutory Instruments, particularly in double taxation. But the position of the accountant is indeed unenviable if, having all the published regulations and legislation before him, he is still unable correctly to resolve his problem because the Acts are supplemented or overridden by some private or semi-private "arrangement," unpublished to the whole country, reached by the Revenue and a particular class of taxpayers.

Words, words, words . . .

[CONTRIBUTED]

ACCOUNTANTS LIVE AND WORK with figures; so do nuclear physicists, engineers and many others. But all of them live and work with words also, and English is a subject of great importance to them. It is ironic that in school the English language receives so little attention, for it is perhaps the only subject that will certainly be of value to every pupil, whatever his later vocation may be. Because it is our mother tongue there is too general an assumption that it must come naturally to us; and when the schoolboy comes to his profession and finds English set in his professional examinations (usually in a very humble place in the syllabus) he is very ready to believe that he need do no study for it. He knows it, he thinks, already. In fact he usually doesn't.

And the students whose howlers are quoted on occasion by examiners in English at all levels are in excellent company, a company which includes from time to time the great majority of their elders. Over a very short period of reading it is possible to collect a harvest of solecisms in places where one might not expect to find them. The Fowler brothers in *The King's English* set an excellent example in taking their specimens only from books and periodicals of high standing, and other writers on English have followed them in this salutary practice. If in this article only *The Times* and *The Economist* are quoted it is because Homer's nod can be both warning and encouragement to lesser mortals—and because criticism of Homer does not appear so unkind as criticism of one's peers. The nods are, moreover, understandable enough: to write cultivated and sophisticated English at high speed is not easy, and occasional slips in a very large volume of good writing must be counted venial sins.

Why should one bother about correct English? The man who says "Between you and I" makes his meaning as clear as he who prefers "Between you and me," and when he is attacked he is likely to base his defence on that fact. The defence is not, of course, a good one. The man who is careless of his English can never be sure that his meaning is clear: consider for example:

> Seeing that only 14 out of 51 London churches built by Wren were intact after the 1939–45 war . . . it is incredible that any attempt should be made to restore those that can be rebuilt on the cheap. (*The Times.*)

The writer may have meant "restore on the cheap those that can be rebuilt," but we are left in doubt (for does he prefer to rebuild than to restore, even if the restoration is not skimped?)

Moreover, even when the context does make the meaning plain, a slip jars the reader or the listener who knows better, and sets up a doubt about the author's education or, even worse, his clarity of thought. There is, in greater or less degree, a breakdown in communication.

To the utilitarian argument must be added, of course, the aesthetic one. English is a very beautiful language, and an infinitely adaptable one, and there is great pleasure to be found in the appreciation of it. Whether one regards it as a useful tool or as a painter's palette one should study its correct use.

There are two broad pitfalls into which the unwary can fall in their handling of English: the misuse of individual words and the wrong construction of sentences. This article is concerned with vocabulary rather than syntax, with the importance of using words in their precise meaning and with the correct choice of words when there are available alternatives. American accountants are reported to be disturbed by the increasing confusion in the use of "revenue," "income," "profits," "surplus," and "earnings;" and the difficulties of distinguishing amongst them is an excellent example of the difficulties of meaning, to which the modern science of semantics is devoted. (*The Economist* used the word "semantics" in something like the opposite of its true meaning when it said: "The 'voluntary' pledge of the manufacturers to deliver their commercial output only in accordance with a federally-approved plan for 'voluntary' distribution is control, in spite of semantics.") What is truth? said jesting Pilate; and the semanticist asks, likewise, what is "democracy," and what "a fair wage?" Words of this kind, which everyone thinks he understands, are particularly dangerous, and a great number of disputes, amongst individuals, groups and nations, arise from their misunderstanding.

The meaning of words at this level might seem to be a problem somewhat outside the scope of the student of English. It comes within his province, however, in so far as it should make him appreciate the importance of knowing the current meanings of the words he uses, and of avoiding words he does not understand. If the user of words is careful with them he can at least be reasonably sure that a failure in understanding is the fault of his audience rather than of himself. It seems very likely that when *The Economist* wrote:

> . . . the official briefing of the congressional leaders and the press . . . also strongly inferred that the United States might even strike first at mainland ports and jet airstrips . . .

the writer meant to say "implied" instead of "inferred." But the reader cannot be quite sure, and to the extent of his uncertainty communication has broken down—by the writer's fault. Likewise when *The Times* said:

> While Oxford lay drenched under steady rain this morning—and it must be acknowledged that such weather was anticipated . . .

it may have been that the writer really meant "anticipated;" but he said nothing to support the word, and it is more likely that he meant "expected."

One of the difficulties encountered by a writer in the choice of words is

hidden in the word "current" at the beginning of the previous paragraph. He must use words as they are currently understood by educated readers; and current meanings are changing day by day. The word "anticipate" is indeed a good example of this awkward fact, for the *Shorter Oxford Dictionary*, while clearly recognising its primary meaning of "forestall" (as we all use it in the phrase "intelligent anticipation"), brings in also, as a kind of reluctant afterthought, the sense of "expect" simply. What must a writer do in such circumstances? If we tell him to seek to preserve what is obviously a useful distinction of meaning, he may eventually find himself using archaisms which no one will understand.

Everyone today understands *The Times* when it says:

> . . . it is certain that, both verbally and in writing, the same arguments will be used over and over again.

Yet the dictionary recognises that use of "verbally" only as a minor and incidental one, although of long standing, and it is obviously a loss to the language that "verbal" and "oral" should be coming increasingly to mean the same thing. In a language which changes as freely as English does there are many gains to offset such losses; and it is still open to anyone to strike his own small blows against the sappers—to insist, for example, upon his "oral" whenever that is what he means. He can no longer safely use "verbal" in its primary sense.

What we may call the conservatives in this matter look to original meanings, and the dispute between them and the radical opposition erupts into such controversies as that which was conducted a few months ago in *The Times* over the meaning of "protagonist:" does it mean (as its Greek origin suggests) " the main actor" and must it therefore be always singular, or can it now mean "the leader of one side of a dispute," so that there can be two or even more of him in one context?

Another aspect of the mutability of English was reflected in another recent *Times* correspondence; on whether "cul-de-sac" is good English, or whether "dead end" should not be preferred to it. This too is part of a perennial dispute, the one side welcoming immigrants, the other striving after Anglo-Saxon purity. There is no doubt that the history of the language has favoured miscegenation, and the "purity" sought by the purists is itself somewhat tattered. But even though we welcome new blood we should still weigh the merits. It would appear that "warn" can now dispense with its object, American-fashion:

> At yesterday's meeting Sir Edward Baron warned that he could not be optimistic . . . (*The Times*).

And, although in a review of Mr. Eric Partridge's latest book *The Economist* questioned the usage:

> Americans can warn that something will happen. Does Mr. Partridge forbid Englishmen to do so? Or does he accept that they can do the same?

in the same issue there appeared a further example of it:

> (Dr. Evatt) publicly warned against government "smear" attacks despite Prime Minister Menzies's assurances.

Right or wrong? It is a matter of usage and opinion.

The examples of difficulty multiply. *The Times* says that "he was twice infiltrated into Crete" and raises the question whether the comparatively new word can be used passively; it has spoken more than once of a "questionary," and the word leaves the reader wondering whether the familiar foreign "-naire" is not in this case better than the queer looking and hardly less foreign "-ary;" it talks of the Labour party being "hagridden," and makes one new word out of two familiar ones (hyphens are abominably troublesome things). Its correspondents are watchful guardians of the language. One of them protests at "orthogonal projection" in a regulation about rear lights, thus touching upon the whole vast and complicated subject of legal (as well as mathematical!) English; and another complains with obvious justice when a grammar school entry examination prefers "usherette" to "attendant" in the cinema. This last led to "salesladies" being questioned ("They'll be calling us clergygentlemen next!" said a clergyman in horror, and found a welcoming echo in the hearts of all those who still speak of "charwomen.")

It must never be suggested, of course, that a writer must aim always at flatness. The correspondent who enlivened his letter to the editor by an expostulatory "surely to goodness" displayed the right sort of courage in informality; but it is doubtful whether the reporter who wrote the following was quite conscious of the curious note he was striking:

> Sergeant Ferris was sitting in an adjoining room with his wife, about to take tea.

Nor is the unusual phrase quite justified in the following, quoted from a London Schoolmasters' Association report:

> It is pious thinking to suggest that the children during those early years will not suffer.

Another phrase went rather comically astray in an *Economist* leader:

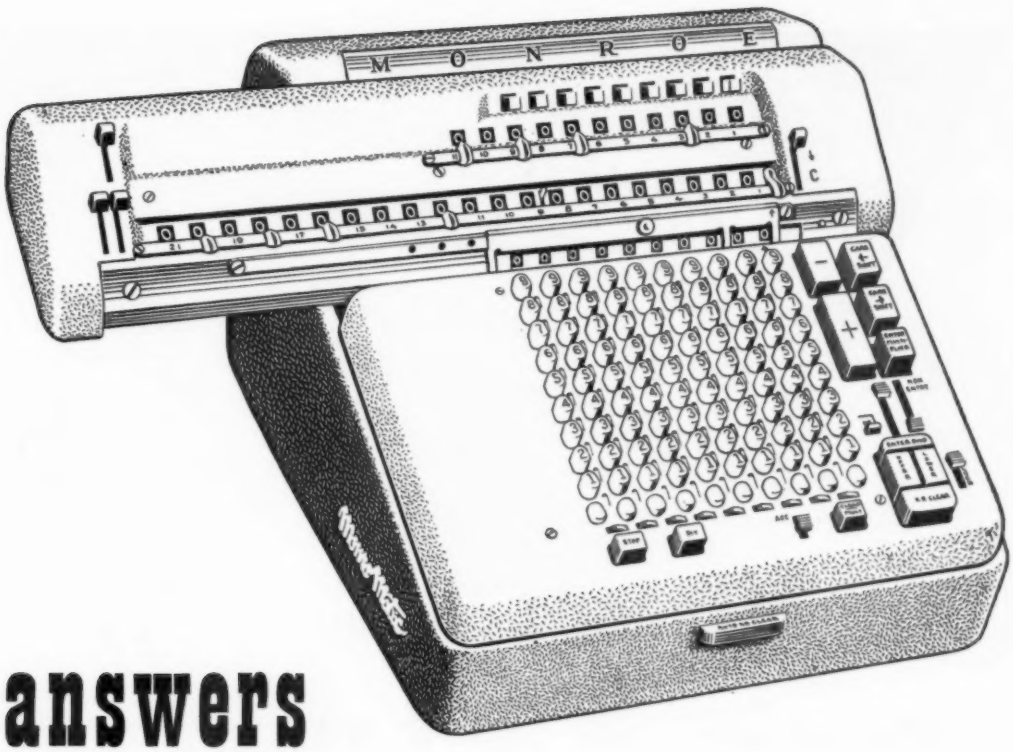
> Since the war Sir Winston may have fallen slightly below the peak which he bestrode in 1940 . . .

The right word in the right place: often a matter of taste, sometimes of no great moment, always a pleasure to the lover of English who, if he is wise, prefers in this as in other matters a sensitive middle way between extremes. But often, it is worth repeating, a matter of meaning. This article may appropriately end on a near-ambiguity:

> . . . the refusal of the townsmen of Klaksvig . . . to have the surgeon at the local hospital replaced by the local authority.

The authority would, we may be sure, make a poor enough substitute; but, then, "replace" has two meanings. . . .

The dispute in the printing industry continues to delay the production of ACCOUNTANCY, among other journals. For reasons beyond our control, copies of this issue may thus be late in reaching subscribers. We regret any inconvenience that may be caused.



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E

The Taxation of Capital Gains

By A. R. ILERSIC, M.SC.(ECON.), B.COM.

In ACCOUNTANCY *for July, 1955 (pages 257–264) and August, 1955 (pages 297–301) we reported the recommendations of the Royal Commission on the Taxation of Profits and Income, with brief discussions on a number of points. We now present the seventh of a series of more detailed commentaries on the major suggestions of the Royal Commission. The other articles in this series were:*

Enlightenment on Stock-in-Trade, *by C. D. Hellyar,* F.C.A., *August, 1955 (pages 301–4).*

Corporate Taxation, *by Frank Bower,* C.B.E., M.A., *September, 1955 (pages 341–4).*

Taxation of Income from Property, *by H. A. R. J. Wilson,* F.C.A., F.S.A.A., *October, 1955 (pages 379–83).*

Streamlining the Profits Tax, *by L. A. Hall,* A.C.A., A.S.A.A., *November, 1955 (pages 418–21).*

Benefits in Kind, *by H. A. R. J. Wilson,* F.C.A., F.S.A.A., *December, 1955 (pages 461–3).*

A New View on Oversea Profits, *by C. D. Hellyar,* F.C.A., *January, 1956 (pages 13–15).*

NOWHERE IN THE final report of the Royal Commission is the difference of opinion between majority and minority more evident than on the taxation of capital gains. Since the major part of the report of the minority is devoted to this topic and the bringing in of a capital gains tax is indeed the keystone of its recommendations, its proposals may be outlined at the outset.

The Minority Case for a Tax

"The tax exemption of the so-called capital profits of various kinds represents," says the minority in its opening sentence on this subject "the most serious omission in our present system of income taxation" (paragraph 34).

The present treatment of casual and windfall capital profits is severely criticised. "The current legal definition of what constitutes taxable income has been arrived at by a process of piecemeal statutory revision and judicial interpretation of the various schedules which date back to 1803" (paragraph 9). By implication the prevailing definition has little relevance to present-day fiscal needs. The majority is also concerned about current aberrations, since "we have noticed that there has been some lack of uniformity in the treatment of different cases" (paragraph 116). The minority does not agree with the majority of the Commission that to list a number of considerations purporting to determine when capital profits that would otherwise be casual are truly to be taken as obtained in trade, and therefore would attract income tax even in the present dispensation, is to solve the problem. Making such a list would not, as the majority claims, serve to "reduce the present legal uncertainty" but only to "make the concept of taxable profits considerably narrower than it is . . . and the present legal distinction between taxable and non-taxable receipts cannot be justified on any reasonable criterion of equity" (paragraphs 18/19).

But the main contention of the minority stems directly from a lengthy discussion on what, for tax purposes, income consists of. Capital gains, say the three Commissioners, enlarge a person's taxable capacity by increasing his power to spend or save—they augment his accretion of economic power between two points of time. Further, since such gains are "not distributed among taxpayers in fair proportion to their taxable incomes but are concentrated in the hands of property owners," their exemption from taxation means that there is "a serious discrimination . . . in favour of a particular class of taxpayer" (paragraph 35). Capital gains are part, in modern conditions the most important part, of the normal reward of successful enterprise. "It is grossly unfair to allow the rewards of the successful property owner or business man to remain so largely exempt from taxation when successful authors, actors, inventors, lawyers, surgeons or civil servants are all fully taxed on their earnings" (paragraph 42).

Tax-exempt capital gains are regarded by the minority

as aiding tax avoidance. "The full significance of the omission of capital profits from taxation only becomes clear when it is appreciated that the extent to which rewards take the form of tax-free capital gains rather than taxed dividend income . . . is very much subject to manipulation by the taxpayer" (paragraph 45). The majority opinion that "the gain from an appreciation in value (may be) neither anticipated . . . nor sought for by the recipient" is disputed.

The minority argues that "taxable capacity is essentially a relative concept and thus property owners who make capital gains during an inflation are undoubtedly in a better position than those who own fixed interest securities and who consequently lose part of their real capital" (paragraph 38). If the proceeds are realised and spent, the recipient derives the same benefit as he would if he spent taxed money. "Equity cannot be secured by ignoring relative changes in the taxable capacities of different property owners" (paragraph 38). The argument of the majority that paper profits arising from the increase in capital values during an inflation should not be taxed, since they do not represent a real increase in the individual's wealth, is not accepted. Similarly, the minority disagrees with the majority view that it would be unjust to tax an appreciation in the value of bonds resulting from a fall in the rate of interest: the capital gain is real enough, it is affirmed, in increasing command over goods and services. It nevertheless admits the truth of the argument of the majority that if the proceeds of the gain are reinvested "a reinvestment of sale proceeds has to be made upon the terms that the investor must accept a lower yield upon his money and he needs therefore all or most of his gains to maintain the same nominal income" (paragraph 93 of the majority report). But it is retorted that the argument ignores that these holders of long-term bonds gain relatively to other savers whose assets do not appreciate with the change in interest rates and the conclusion is that "we do not see that equity is better served by ignoring the relative improvement in the position of the bondholders altogether rather than by recognising it" (paragraph 39).

The minority is particularly concerned at the appreciation in the values of equity shares from the ploughing-back of profits. It quotes with approval the observation of the majority that "a process is detected which has the effect of adding to the capital of the shareholder through savings made out of the company's income without his share of the savings ever having been subjected to surtax as income in his hands" (paragraph 96). But it disputes the conclusion that "profits made in corporate form bear a supplementary charge which is not imposed on other forms of profit or income" (paragraph 97) and maintains that the market valuation of shares has appreciated over recent years by far more than the growth in company reserves from ploughed back profits.

The Mechanism of a Capital Gains Tax

The minority of the Commission recognises that a tax would have to be restricted to realised gains and could not extend to accrued gains. "From an administrative point of view it would be extremely difficult, if not impossible, to make a periodic valuation of all capital assets with sufficient accuracy to permit a tax to be levied on the change in the market value of all assets between two points of time" (paragraph 54). But the limitation would carry the advantage that "the very fact that the timing of the realisation of assets is in the taxpayer's own control would serve to even out the fluctuations in his annual liability" (paragraph 59). To reduce tax avoidance, gifts and bequests should count as realisation.

For base values, quoted securities should be taken at market prices on the introduction of the tax. Other assets would be valued at the actual cost of acquisition, with an abatement of the gain proportional to the fraction which the period between the appointed day and the date of "realisation" bears to the total period of ownership. Let it be observed that the task of valuation is by no means as simple as the minority appears to believe. It has taken three years to value non-agricultural real property for rating purposes, even ignoring appeals. Valuations for estate duty, particularly when unquoted shares are in question, are notoriously prolonged and acrimonious. There remains the difficulty of ensuring that sales constituting "realisations" of assets are in fact made at arm's length.

The minority recognises "the force of the argument which leads to the conclusion that it would be *inexpedient* (my italics) to tax capital gains at the full progressive rate of income tax and surtax combined." The arguments in favour of a flat rate tax—that is, income tax at the standard rate, "are more powerful in our view when considered from the point of view of equity" since "the full charging of capital gains to both income tax and surtax would have a negative effect on the incentive to save and encourage capitalists to dissipate their capital" (paragraph 61). The view of the majority "that the gain should either be taxed at the full progressive rate or not at all" is rebutted with the statement "there is no principle of equity which leads us to suppose that if something cannot or should not be taxed at 95 per cent. it should be taxed at 0 per cent." (paragraph 62). Nevertheless, to fix upon the standard rate of income tax as the proper tax change is only expediency. And expediency is even more evident in the suggestions first, that "for an initial period" the tax should be limited to gains arising from the sale of businesses, securities and real property and second, that "there should be an exemption limit . . . to reduce the administrative task involved" (paragraph 70). Such proposals make nonsense of the earlier talk of the desirability of taxing capital gains on the score of equity.

The Majority View

The majority opens by admitting that "there is nothing impossible about the introduction or the operation of a tax on capital gains" (paragraph 88). Its rejection of the tax is based upon three main arguments. First, that the tax would be inequitable; second, that its yield would be negligible in relation to Exchequer requirements; and, third, that it would be administratively complex. Once

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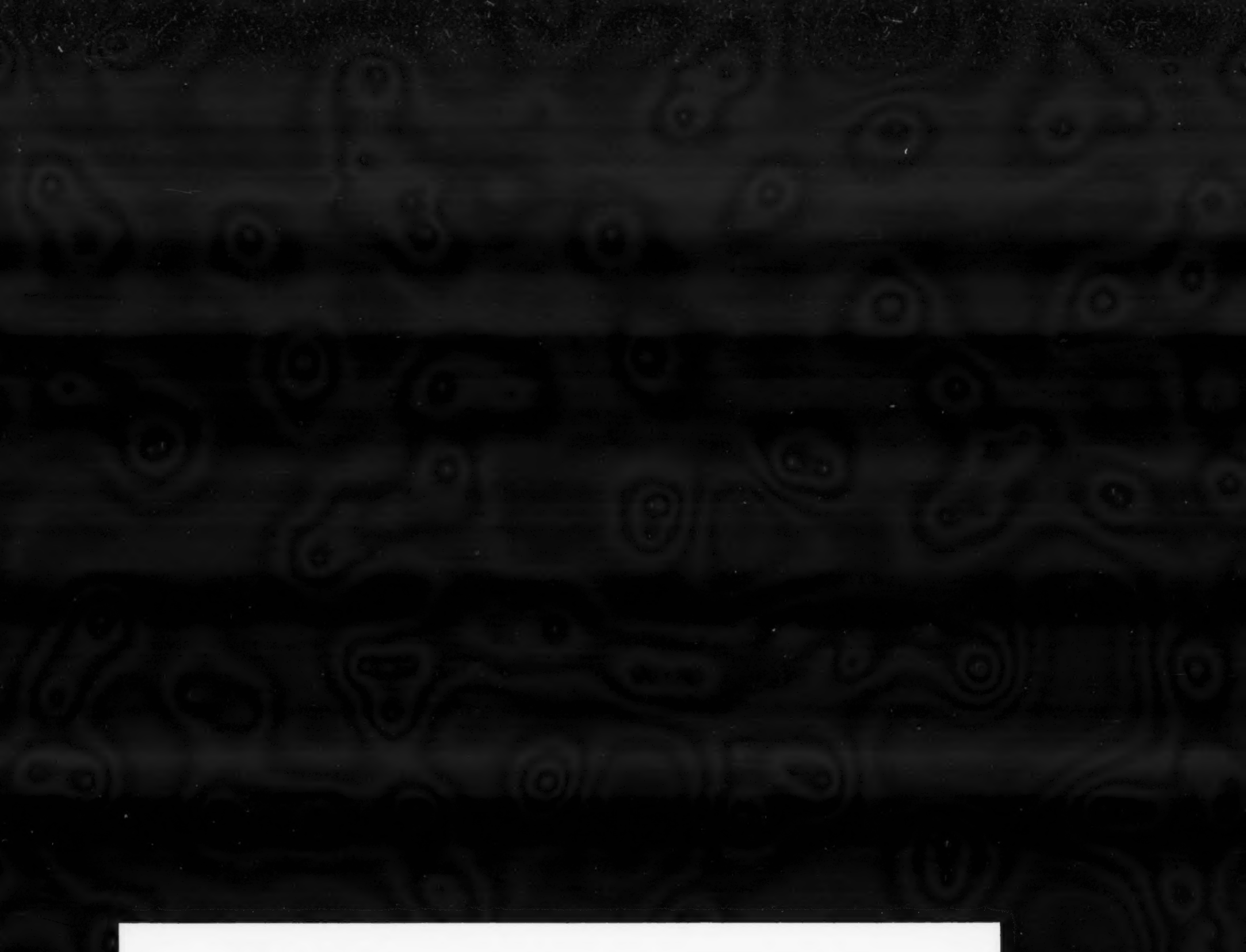

these three points have been established, there is clearly no point in wasting time on other—and what the majority clearly considers irrelevant—issues. Thus any assessment of the final judgment of the Commission on the tax is dependent on the conclusiveness of its arguments under these three heads.

Some of the inequities feared by the majority to be inherent in the tax have already been touched upon in this article. Thus, why should the rate be, as the minority want it to be, a flat one rather than progressive—except on grounds of administrative expediency rather than logic? Further, should the tax discriminate between long-period gains and short-period gains? The minority not surprisingly quotes the opinion of the Board of Inland Revenue—opinion that is rather remarkable but is reinforced by the difficulty of defining the "holding period" and of applying the definition—that "looking at the matter *purely as one of taxable capacity* (my italics) there may seem little justification for distinguishing between two gains of equal amount simply because in one case the asset was held for a longer period than in the other" (paragraph 17 of the memorandum of the Board). What is the appropriate method of granting loss offsets? If a capital gain is to be claimed as taxable income, emphasises the majority, the capital loss constitutes a real decrease of taxable capacity. "But it is almost impossible to suppose that a tax system would accept the logical consequence of this dilemma at a time of high progressive rates of taxation" (paragraph 91). What, if any, gains should be exempt? The minority would follow the post-war American practice of exempting the profit made upon the sale of a house by the owner-occupier if it was replaced by another "of the same quality and condition"! The obvious expediency of this measure is disguised in the minority report by a reference to the "undesirable effect of hindering people moving from one job to another." Since home ownership is merely one form of holding wealth, to which not everyone is attracted, the proposed exemption is hardly equitable.

When all is said and done, what would the Exchequer gain from the tax? "It is a work of speculation to make any estimate of the yield," says the majority (paragraph 101), although a little later it suggests that the Board's estimate that "the net long term yield of a capital gains tax in this country would probably not exceed £50 million a year . . . represents the result of a detailed piece of analysis by the Board's Statistics and Intelligence Division" (paragraph 103). The minority, working on different assumptions, puts the ultimate yield, net of estate duty forgone, at between £160 million and £315 million.

To operate the tax, the Board of Inland Revenue suggests that it would require additional staff of the order of 500 at least and continues: "apart from the difficulties that have been mentioned the present would, from the purely departmental point of view, be an awkward time for the imposition of a capital gains tax" (paragraph 44 of the memorandum of the Board). The recent announcement that some 30,000 back duty cases await the attention of the Inland Revenue underlines the force of its comment. And American experience of capital gains taxation suggests that the load of back duty would increase with the introduction of the tax. It is hardly convincing when the minority states that "we do not wish to enter into a detailed consideration of the administrative problems created by a capital gains tax except to record our view that we do not believe that these problems would prove so formidable as is sometimes suggested" (paragraph 70). That, after all, is merely a belief. It is surely unjustified to go on to imply (in the same paragraph) that because the "experience in both Europe and the United States shows that a tax on capital gains is by no means beyond the powers of an efficient tax administration," the difficulties do not exist. Nor does the minority appear to recognise the very divergent historical and social factors determining the differing conceptions of income in this country and the United States. The memorandum of the Inland Revenue can be criticised for referring only obliquely to the complications and anomalies surrounding the operation of the tax in the United States. Even the average American college textbook on public finance emphasises these problems. And since the minority invokes the operation of the American tax in support of its recommendations, more is the pity that the criticisms made by American writers who have studied the workings of the tax at first hand are ignored.

In less than nine pages of rather terse and occasionally pointed language—for example, "those who advocate such taxation are, we think, responding to a feeling which is the product of disappointment at the failure of high taxes to restrain all lavish expenditure by the wealthy" (paragraph 98)—the majority rejects the case for the tax. "In the light of these general considerations we came to the conclusion that we could not safely attach any weight to the *economic arguments* (my italics) that were advanced in favour of the tax" (paragraph 107). Doubtless the publication with the report of the full memorandum of the Board of Inland Revenue, a carefully phrased document outlining the *pros* and *cons* of this tax with all the impartiality of the senior civil servant, helps to explain the laconicism of the majority.

In the last resort, the main test must be whether the tax would ensure equity or not. Unfortunately, it is on this issue that the divergence of opinion of the Commissioners is most marked. It is not mere accident that their discussion took place against the background of a major Stock Exchange boom. In the United States about 80 per cent. of all capital gains are attributed to share operations. A major factor in the boom has been the inflation, and the growth of an "inflation-conscious" community. The majority of the Commission argued that even if during an inflation some people holding capital suffer less than other taxpayers, the "gain" itself is illusory and should not be taxed. The minority retort, in effect, that it is wrong anyway that some people should benefit *relatively* to others in inflation: all should suffer equally. If, as many (but not all) economists believe, inflation is to be a lasting phenomenon in this country, the choice ultimately lies between these two conflicting ethical judgments.

A Key Date for Factories

BEFORE 1946/47, a "mills, factories and similar premises" allowance was available as a deduction in computing the profits of the accounting period forming the basis of the assessment (in what follows we shall refer to the "factories allowance" and the "basis period"). The allowance was given because of the exceptional depreciation suffered by such premises owing to the presence of vibratory machinery and similar cases.

The allowance was originally given by allowing the gross annual value to be deducted instead of the net, but this led to taxpayers appealing for an increase in the assessment so as to get a bigger repairs allowance! (In the case of buildings outside the United Kingdom, the deduction was one-sixth of the annual value.) In the Finance Act, 1937 (Section 15) the allowance was changed to an amount equal to the repairs allowance or the appropriate fraction of the rating assessment, whichever was the less. The appropriate fraction for premises situate in the administrative County of London and in Scotland was one-sixth of the gross rating value, and in the case of other premises one-fifth of the net rating value. For electricity works, brickworks and certain premises not assessed under Schedule A (e.g. buildings abroad), the deduction was one per cent. of the cost of the premises in question. The allowance applied to an owner-occupier or to a tenant on whom the whole burden of depreciation fell by his lease or agreement.

The allowances now familiar for industrial buildings were brought in by the Income Tax Act, 1945, to operate from an "appointed day". The appointed day was fixed by the Finance (No. 2) Act, 1945 (Section 18) as April 6, 1946. It was, however, provided by the Income Tax Act, 1945 (Section 7 (2)) as amended by the Finance Act, 1950 (Section 28), that for an industrial building for which a factories allowance could be claimed for 1945/46 (i.e. deducted in the basis year for 1945/46), the factories allowance was to continue for 1946/47 and the following nine years, unless a claim was made for its discontinuance. In such a case, the appointed day was postponed until April 6, 1956, unless such notice was given in the meantime.

In most instances, notice will have already have been given, but there are some where it will not have been given—e.g., where no industrial buildings allowances could be claimed on the whole or a substantial part because the building or part was already over fifty years old, or where the presence of rateable machinery had made the factories allowance more than two per cent. of the capital expenditure on the erection of the building. On expenditure after April 5, 1946, the postponement does not increase the total relief over the 50 years, but accelerates it.

Where the appointed day is so postponed, it is important to note that capital expenditure on the erection of the building incurred on or after April 6, 1944, but before the appointed day, is to be treated as incurred on the appointed day, but there must be deducted from the expenditure the total factories allowances made. The building must still be in use as an industrial building on the appointed day. The initial allowance is not available on expenditure between April 6, 1952, and April 14, 1953 (inclusive); nor on expenditure between April 7, 1954, and February 16, 1956 (inclusive) to which the investment allowance applies. Initial allowance applies again to expenditure after February 16, 1956. The investment allowance, where appropriate, is given as if there had been no postponement of the appointed day, and ignoring factories allowances. Annual allowances, however, will be given on the aggregate expenditure (less aggregate factories allowance) from April 6, 1944 to April 5, 1956 (inclusive) (See Sections 265 and 277, Income Tax Act, 1952, and Sections 16 (2) (c) and 16 (11), Finance Act, 1954.)

Illustration. A factory was erected by A for use in his existing business at a capital expenditure on its erection of £32,000, all paid between April 6, 1944, and January 31, 1945. It was occuped on April 1, 1944. A made up his accounts to January 31. The factories allowance was agreed at £650. As this exceeds two per cent. of the capital expenditure, A. would not claim to have the appointed day accelerated and it would become April 6, 1956.

Factories allowance would be:

	£
Year to January 31, 1945:	
10/12 × £650 (1945/46)	541
10 years to January 31, 1955 (1946/47 to 1955/56)	6,500
	£7,041
Capital expenditure	32,000
Deduct factories allowance	7,041
Expenditure deemed to be incurred on April 6, 1956	£24,959

April 6, 1956, falls in the year to January 31, 1957, the basis year for 1957/58.

Initial allowance, 1957/58	£2,496
Annual allowance each year, 1957/58 to 2001/02	£499

(The odd £8 would be adjusted in the first 8 years, or the last 8 years).

There is the anomaly that no relief is given in 1956/57.

Had A. made an addition to his factory on April 7, 1954, i.e. in the basis period for 1955/56, investment allowance of ten per cent. would have been claimable for 1955/56, even if the factories allowance were still claimed.

Extra-Statutory Concessions

The ninety-eighth report of the Commissioners of Inland Revenue contains an appendix showing alterations to existing extra-statutory concessions. We reproduce this with the permission of the Controller of H.M. Stationery Office.

The corresponding appendix to the previous report was given in our issue for March, 1955, on page 108.

It is again stated that "the concessions... are of general application, but it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the concession.

Alterations

INCOME TAX

Dependent Relative Allowance (*No. 19 in Board's 93rd Report*).

This concession provided that where a dependent relative does not reside with the claimant and receives from him less than £50 per annum, a deduction is allowed of the actual amount of the contribution, and where contributions are made by two or more persons, though not amounting to £50 in all, a deduction is allowed to each of his actual contribution.

The figure of £50 has been raised to £60 with effect from the year 1953–54, following the increase by Section 14 (3), Finance Act, 1953, of the statutory dependent relative allowance from £50 to £60.

Double Taxation Relief: Deduction of Unrelieved Oversea Tax (*No. 26 in 93rd Report*).

Under this consession, where the deduction in computing oversea income for income tax and profits tax purposes of an excess of oversea tax which cannot be credited under a double taxation agreement would result in an increase of the total tax liability because of the existence of relevant distributions chargeable to profits tax at the higher rate, the deduction is not made.

The law relating to unilateral relief from double taxation was altered by Section 26, Finance Act, 1953, and the treatment of oversea tax in excess of the amount which can be credited became the same for unilateral relief cases as for cases governed by double taxation agreements; the concession has therefore been extended to the former cases.

ESTATE DUTY

Civilian Deaths in Malaya, Korea and Kenya (*No. 1 in 95th Report*).

This concession provided that the relief from estate duty formerly granted by wartime legislation (which expired in October, 1950) to the estates of civilians dying from injuries caused by the operations of war is applied to the estates of civilians dying from injuries caused by the operations in Malaya and Korea. The concession has been extended to deaths of a like nature occurring in Kenya.

Cessations

The following extra-statutory concessions ceased to operate during the year ended December 31, 1954.

INCOME TAX

Partnership Changes (*No. 7 in 93rd Report*).

The Chancellor of the Exchequer announced on November 5, 1954, in reply to a Parliamentary Question (Parliamentary Debates, House of Commons, Vol. 532, Col. 87, Written Answers) that in view of the enactment of Section 19, Finance Act, 1953, under which the income tax cessation and commencement provisions now apply on a change in the constitution of a partnership unless all the partners claim continuation treatment, this concession would not be applied where successive changes of partnership occurred in future.

Relief in respect of Losses (*No. 10 in 93rd Report*).

This concession has been superseded by Section 20, Finance Act, 1954, which enables capital allowances to be taken into account in arriving at a loss for the purposes of relief under Section 341, Income Tax Act, 1952 (formerly Section 34, Income Tax Act, 1918).

Double Taxation Relief: Non-Resident Director of a United Kingdom Company (*No. 27 in 93rd Report*).

The effect of this concession was to give credit for oversea tax in accordance with the terms of the Sixteenth Schedule, Income Tax Axt, 1952 (which relates to relief under double taxation agreements), notwithstanding that the taxpayer was not resident in the United Kingdom. Following the introduction of unilateral relief in 1950 and the amending provisions of Section 26, Finance Act, 1953, a relief similar in amount to that formerly given by concession is now available by statute and the concession has accordingly been terminated.

Double Taxation Relief: Interest or Royalty Exempt under Double Taxation Agreement (*No. 1 in 94th Report*).

The relief given by this concession is now available under statutory regulations made by the Commissioners of Inland Revenue under powers conferred upon them by Section 351, Income Tax Act, 1952 (The Double Taxation Relief (Taxes on Income) (General) (No. 3). Regulations, 1954—S.I. 1954 No. 1366).

ESTATE DUTY

Property Held in Joint Tenancy, etc. Reversionary Interests. (*Nos. 12 and 13 in 93rd Report*).

These two concessions have been withdrawn as regards cases falling within Section 33 (1), Finance Act, 1954 (which made new provision for non-aggregation of certain property in certain circumstances), i.e., where the death occurred on or after July 30, 1954. The concessions continue to operate as before in relation to other relieving Sections.

Property Abroad Requisitioned by the Government. (*No. 1 in 94th Report*).

In view of the revocation as from August 5, 1953, of Regulation 1 of the Defence (Finance) Regulations, 1939, this concession has been withdrawn in relation to deaths occurring after February 5, 1954.

PROFITS TAX

Double Taxation Relief: Interest or Royalty Exempt under Double Taxation Agreement. (*No. 1 in 94th Report*).

The relief given by this concession is now available under statutory regulations made by the Commissioners of Inland Revenue under powers conferred upon them by Section 351, Income Tax Act, 1952 (The Double Taxation Relief (Taxes on Income) (General) (No. 3) Regulations, 1954—S.I. 1954 No. 1366).

Taxation Notes

Maintenance Claims

When an owner of property submits maintenance claims on the basis that several properties are managed as one estate, difficulties arise when the constitution of the estate is altered by the purchase or sale of a property.

The "estate" in respect of which a claim is made for a particular year of assessment is the group of properties owned in that year of assessment. The maintenance expenditure incurred in the preceding five years may include expenditure on properties not owned at all in the year for which relief is claimed and it will not include any expenditure on properties acquired in that year.

If an additional property is acquired and the expenditure incurred by the previous owner cannot be ascertained, it was formerly the practice in some districts to assume that expenditure had been incurred in respect of that property for the past five years equivalent to the statutory repairs allowance. Nevertheless, this concession was often refused when the new owner had bought the property while it was in a very bad state of repair and had incurred heavy maintenance expenditure in his first year of ownership (which would swell his "estate" maintenance claims for the next five years). Now it is understood that this concession has been withdrawn and in no circumstances whatsoever will any notional expenditure be included in a maintenance claim.

In place of the concession now withdrawn it is usual to allow a separate claim to be made in respect of the additional property during the first five years of ownership. This may be made on the statutory basis (treating pre-ownership years as "nil") or on "actual", as may be most advantageous to the claimant. Thereafter the property will be merged with the others which are "managed as one estate."

When a property which was included with others in one estate is sold, the right to make maintenance claims in respect of that property is lost and all expenditure on it must be taken out of the average of the five years. Sometimes by re-examining the vouchers it is possible to eliminate the actual expenditure; in other cases (this applies particularly where one house out of a terrace is sold) that is not possible and an apportionment is necessary.

If the houses are similar, a simple numerical apportionment will suffice. Otherwise the apportionment is usually made in the ratio of the net annual values.

Surtax Directions

If a company is not under the protection of the "Chancellor's umbrella" (that is, the statements made in 1947 and 1948 in the House of Commons that so long as distributions were not reduced below those then accepted as reasonable and profits did not reach shareholders in the guise of capital, surtax directions would not be made) stock should be taken immediately the Special Commissioners show signs of taking action to make a direction. Unless there are good grounds for resisting a direction, the Special Commissioners should be asked to agree to a reasonable dividend being declared for the year in question in lieu of making a direction.

What is a reasonable dividend must be influenced by the impact of profits tax. If there is no franked investment income, a company today cannot pay a gross dividend of more than two-thirds of its profits, as the net dividend of that proportion plus the income tax and profits tax payable exhaust the profits.

If a much smaller dividend is paid, the profits tax and surtax payable will often exceed the surtax on the whole profits. It is more than high time that the Acts were amended to remove some of the anomalies of profits tax, and also to limit a surtax direction to a reasonable distribution.

Illustration 1. A company with four equal shareholders has an agreed profit of £12,000 (no franked investment income). Each shareholder has an income of £2,000 before including any dividends.

If a direction is made, each shareholder's share is £3,000 making his total income £5,000 and surtax £512 10s. 0d. The total surtax payable is £2,050; no profits tax is payable.

If there is no direction, but the company pays a dividend of £5,000 (£1,250 each) the surtax bill becomes £156 5s. 0d. $\times 4 = £625$ and the profits tax 2½ per cent. on £12,000 + 25 per cent. on £5,000 = £1,550: total tax is £2,175 (ignoring income tax, which is payable anyway) and a contingent distribution charge for the future (£7,000 at 25 per cent. = £1,750).

A direction would be preferable but unlikely to be made, if the company paid such a dividend!

Each case must be examined carefully on its merits. Consider the following instance:

Illustration 2. There are two shareholders, husband and wife, with a total income of £4,000 before including any dividend. The company has an agreed income of £12,000, excluding franked investment income.

If a direction is made, the surtax on it becomes:

	£	£ s. d.
Surtax on	16,000	4,962 10 0
" "	4,000	287 10 0
	£12,000	£4,675 0 0

If no direction is made, but a dividend of £7,000 is paid:

	£	£ s. d.
Surtax on	11,000	2,612 10 0
" "	4,000	287 10 0
	£7,000	2,325 0 0
Profits Tax: Profits	12,000 at 27½% = £3,300	
Net relevant distribution	7,000	
Non distribution relief on	5,000 at 25% = £1,250	2,050 0 0
	Surtax plus profits tax	£4,375 0 0
	Contingent distribution charge	£1,250

A much smaller dividend would seem to be arguable!

Tax Reserve Certificates and Underwriters

Underwriters' accounts are kept open for three years. The result is that the profit of the calendar year 1952 is not known until 1955, when the results at December 31, 1954, are first struck. Those who have become underwriters since 1922 are assessed on the "legal" basis, which means that the

"Unaccustomed as I am—

. . . Yet 4 Weeks Later He Swept Them Off Their Feet!

In a daze he slumped to his seat. Failure . . . when a good impression before these men meant so much. Over breakfast next morning, his wife noticed his gloomy, preoccupied air.

"What's the trouble, dear?"

"Oh . . . nothing. I just fumbled my big chance last night, that's all!"

"John! You don't mean that your big idea didn't catch on!"

"I don't think so. But Great Scott, I didn't know they were going to let me do the explaining. I outlined it to Bell—he's the public speaker of our Company! I thought he was going to do the talking!"

"But, dear, that was so foolish. It was your idea—why let Bell take all the credit? They'll never recognise your ability if you sit back all the time. You really ought to learn how to speak in public!"

"Well, I'm too old to go to a class now. And, besides, I haven't got the time!"

"I've got the answer to that. Where's that magazine? . . . Here—read this. Here's an internationally known institute that offers a home study course in effective speaking. They offer a free booklet entitled *How To Work Wonders With Words*, which tells how any man can develop his natural speaking ability. Why not send for it?"

He did. And a few minutes' reading of this amazing book changed the entire course of John's business career. It showed him how a simple and easy method, in twenty minutes a day, would train him to dominate one man or thousands—convince one man or many—how to talk at business meetings, lodges, banquets and social affairs. It banished all the mystery and magic of effective speaking and revealed the natural Laws of Conversation that distinguish the powerful speaker from the man who never knows what to say.

Four weeks sped by quickly. His associates were mystified by the change in his attitude. He began for the first time to voice his opinions at business conferences. Fortunately, the opportunity to resubmit his plan occurred a few weeks later. But John, this time, was ready. "Go ahead with the plan," said the Managing Director, when John had finished his talk. "I get your idea much more clearly now. And I'm creating a new place for you—there's room at the top in our organisation for men who know how to talk!"

And his newly developed talent has created other advantages for him. He is a sought-after speaker for civic, banquet and lodge affairs. Social leaders compete for his attendance at dinners because he is such an interesting talker. And he lays all the credit for his success to his wife's suggestion—and to the facts contained in this free book—*How To Work Wonders With Words*. For twenty-five years the Speakers' Service has been proving to men that ability to express oneself is the result of training, rather than a natural gift of a chosen few. Any man or woman can absorb and apply quickly the natural Laws of Conversation. With these laws in mind, the faults of timidity, self-consciousness, stage-fright and lack of poise disappear; repressed ideas and thoughts come forth in words that sparkle with brilliance, charm and power.

Have you an open mind? Then send for this free book *How To Work Wonders With Words*. Over 100,000 men and women in all walks of life have found in this book a key that has opened a veritable floodgate of natural speaking ability. See for yourself how you can become a popular and dominating speaker! Your copy is waiting for you—free—simply for the posting of the coupon.

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1952 profits form the basis of assessment for 1953/54. The tax is, nevertheless, regarded as payable in two instalments (as if it were 1955/56 tax) on January 1, 1956 and July 1, 1956. For the purposes of Tax Reserve Certificates, however, the due dates are January 1, 1954 and July 1, 1954, the due dates for tax assessed for 1953/54. The due date for the surtax is January 1, 1955.

Tax Reserve Certificates are rendered unattractive to these underwriters and it is suggested that the conditions of issue should be changed.

Underwriters on the old "conventional" basis are assessed on 1952 profits for 1955/56 and the tax is due in 1956—they therefore reap the full advantage of the Tax Reserve Certificates.

Investment Allowance

The question has been posed whether the investment allowance is due on the full cost of new plant where:

(*a*) a balancing allowance has been deducted (the new plant being a replacement), or

(*b*) the renewals basis is in operation.

The answer is that the allowance is due on the full cost in both cases—see Section 16 (3) (*a*) and (*c*), Finance Act, 1954. The footnotes to Section 296, Income Tax Act, 1952, on pages 224 and 224A of the looseleaf edition of the Acts published by H.M. Stationery Office emphasise the point.

Notes on Double Taxation Relief

The Board of Inland Revenue have issued explanatory notes dealing with the main features of the law and practice relating to double taxation relief. Whilst the notes have no binding force and do not affect a taxpayer's rights of appeal on points concerning his own liability to tax they can, in practice, be accepted as authoritative. As we have said before, we welcome every note that is issued as an assistance to taxpayers and their advisers. These particular notes dealing with one of the most complex aspects of taxation will meet a welcome as great as any given to their predecessors. The notes indicate the types of agreement and outline the reliefs under the usual arrangements. They then set out the general rules for giving relief by credit and show how the calculations are to be made for individuals and for companies. Examples are given which enhance the explanations. Unilateral relief is explained, followed by the position of shareholders who receive dividends affected by double taxation relief. The notes conclude with paragraphs on claims for double taxation relief, followed by an appendix showing the agreement which has been entered into on October 1, 1955, distinguishing comprehensive agreements from limited agreements.

The notes are being issued to accountants' offices and additional copies may be obtained from any Inspector of Taxes.

Double Taxation Agreement with Central Africa Federation—

The double taxation agreement between the United Kingdom and the Federation of Rhodesia and Nyasaland (see ACCOUNTANCY, January, page 20) has been published in a schedule to a draft Order in Council.

—And with Pakistan

Discussions for the avoidance of double estate duty between the representatives of the Governments of the United Kingdom and Pakistan have concluded and a draft agreement has been initialled. On approval by both Governments, the agreement will be signed in Karachi.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Trade — Manufacturer's agent — Summary termination of agency—Damages for breach of agreement—Whether income or capital receipt—Income Tax Act, 1918, Schedule D, Case I.

Wiseburgh v. Domville (Ch. October 26, 1955, T.R. 259) arose out of the summary termination of an agency agreement. The appellant was a manufacturer's agent and between the beginning of the last war and the end of 1951 he had been agent for twenty firms altogether, but at the time when the cause of the action arose it appears that he had only two agencies. One of these, that for a company called Gordon Mills Ltd., had run for six years when in 1948 the parties quarrelled and in July the appellant's agency was summarily terminated. It had been one for two years certain, continuing thereafter from year to year. In the words of Harman, J., "it was not a permanent kind of arrangement." Appellant had thereupon brought an action claiming damages for wrongful dismissal and also claiming for the balance of commission which he alleged to be due to him. Eventually, the action was settled on terms, the appellant receiving £4,000 as damages for breach of agreement and abandoning his claim for arrears of commission up to July, 1948, which, the judge said, had been estimated at nearly that sum. The breach alleged was that he could not be legally dismissed except by a year's notice expiring in October, 1949; and the terms of settlement were embodied in a consent order made by the District Registrar.

The General Commissioners had found that the order was irrelevant to the issue, but Harman, J., held that they were quite wrong in this—"it is a most highly relevant document."

The issue was whether the £4,000 was a capital or income receipt. Harman, J., rejected the suggestion that despite the

terms of the order he should regard the amount as pre-breach commission. People, he said, could make their own bargains and, although it did not matter to Gordon Mills, Ltd. for what it paid the agreed sum, it might matter to the appellant from the tax point of view and he was quite justified in taking it in the form which suited him best. He, therefore, accepted that the money was paid in respect of the premature ending of the agreement. The General Commissioners had found that the amount awarded took the place of the commission which the appellant would have earned up to October, 1949, and Harman, J., said that this was the proper inference to be drawn from the District Registrar's order; and he agreed with their finding that it was a taxable receipt of the appellant's trade.

Reviewing the case by reference to authority, he said that had the appellant had no other agency and had it been his sole work, it might well be that there would have been the loss of a capital asset. He did not think it depended on volume, whether one-eighth, one-quarter, or one-third. In *Van den Berghs Ltd.* v. *Clark* (1935, A.C. 431; 14 A.T.C. 62; 19 T.C. 390), the company had received a large sum from a Dutch company and had agreed to give up one side of its business. In *Barr Crombie & Co. Ltd.* v. *C.I.R.* (1945, 24 A.T.C. 55; 26 T.C. 406), Lord Normand had declared that in the former case and in that before him the ending of the agreement had radically affected the whole structure of the company and the character of its business. He did not think, the judge said, that these observations applied to the case before him. The appellant was a manufacturer's agent and one of the incidents of that business was that one agency might be stopped and another begun, as had been shown to be the case with the appellant. Continuing, he said:

> The fact that an agency was a key agency, and therefore was important to him and represented half of his income, seems to me to be irrelevant. He must have expected as part of the normal course of such a business that one agency would end and another start.

To the argument that appellant had only two agencies at this time, and found it very difficult to get any more, he made a reply which probably explains much:

> It may be that that was his own fault, because he was also representing his wife—nominally his wife, but I think himself—in a similar, competing business, and it would be difficult for him to act as agent for others when it competed with his own interest as a principal for himself.

The case, he held, fell within the principle established in *Kelsall Parsons & Co. Ltd.* v. *C.I.R.* (1938, 17 A.T.C. 87; 21 T.C. 608), a multiple agency case where Lord Normand and his Scottish colleagues had found in favour of the Revenue. There was nothing to be said against the General Commissioners' finding that the £4,000 was mere compensation for loss of profits.

At the close of the case, a new point was raised by the judge when he asked whether there was any doubt about the year to which the sum should be allocated. Counsel for the Crown said that the Commissioners had taken the year when the appellant got it. For the appellant, it was argued that the amount should be spread over the year over which the commission would have been earned. Counsel for the Crown thought that "the ordinary principle" would have applied and that the amount could be taken into account only when it became a right. After a keen discussion in which the problem remained unsolved, Harman, J., remitted the point to the General Commissioners for consideration and argument—"If you want to argue it."

Income Tax

Patents—Sale of patent rights—Patent granted before 1945—Whether capital sum received on sale taxable—Income Tax Act, 1918, Section 213—Income Tax Act, 1945, Part V—Finance (No. 2) Act, 1945, Section 18—Patents Act, 1949, Section 21 (3)—Patents Rules, 1949 (No. 2385), Schedule III, Form A.

Kirke v. Good (Ch. October 26, 1955, T.R. 275) may be said to be a continuation of *Kirke* v. *C.I.R.* (1944, 26 T.C. 208). There the same appellant had contended that patent royalties were not assessable to sur-tax by reason *inter alia* of the terms of the Royal grant that "the patentee shall have and enjoy the whole profit" accruing. That case was taken to the Court of Appeal but leave to appeal to the House of Lords had been refused. He had been granted three patents in 1932. In 1948, under the wartime regulations, his patents had been extended until 1954. He had sold the rights for the last two years of the patent for a capital sum amounting to £30,000 and an assessment had been made upon him under the provisions of Section 37 of the Income Tax Act, 1945, the sale having been made after the "appointed day," which was April 6, 1946. Mr. Kirke's objections to the assessment included, apparently, those he had raised previously; but a new one was that the 1945 legislation should not apply to any patent granted before then. He pointed out that he could have sold his patents at any time previously to 1945 without being taxed on the capital sums. The Special Commissioners had said that they were bound by the former proceedings by the same taxpayer; but Harman, J., said that he did not think they were as it was a different subject-matter. They had decided against the appellant and Harman, J., affirmed their decision. He said it was nonsense to say that the terms of his grant over-rode the law as it existed at the time when the grant was made. As regards the alteration of the law in 1945, he held that the Crown's grant must necessarily be made subject to the law as assented to by the Crown itself from time to time. It was, he said, quite true that in the revised Patents Rules of 1949, the grant of a patent was now expressly made "subject to any statute for the time being in force." Mr. Kirke had argued that the words were not in his grant and therefore did not apply to it; but Harman, J., held that the words had been put in by way of caution—possibly because of appellant's own argument in 1942. The essential legal principle would seem to be that any grant by the Crown giving exemption from taxation would be void under the Bill of Rights, 1689.

Income Tax

Expenses of management—Life assurance business—Changes of investments—Commission paid to stockbrokers—Stamp duty on transfers—Whether expenses of management—Income Tax Act, 1918, Section 33.

Sun Life Assurance Society v. Davidson; Phoenix Assurance Company Ltd. v. Logan (Ch. November 2, 1955, T.R. 267). These two cases raised the same points. It has long been established that the Crown has the option of charging a life assurance company either on its profits under Case I of Schedule D or upon the income from its investments under Cases III, IV and V without regard to its profits. In the case of life assurance, the income taxed by deduction is normally much greater than the profits computed under the rules of Case I of Schedule D; and, prior to 1915, the result was that the companies were not able to get any taxation relief in respect of their ordinary working expenses. Except that investment companies do not trade in investments, they were in a similar position. To remedy this, by Section 14 of the Finance Act, 1915, reproduced in Section 33 of the

Income Tax Act, 1918, and now Section 425 of the Income Tax Act, 1952, life assurance companies, investment companies and certain other concerns similarly situated were given relief in respect of "sums disbursed as expenses of management (including commissions)."

Although the interpretation was long regarded as of doubtful legal validity, from 1915 to 1949 the term "expenses of management" had throughout been treated as including brokerage and stamp duties paid in respect of changes of investments made in the course of business, except that such expenses in so far as they related to expansions of capital investments were regarded as inadmissible and disallowed. (The judgment in the present case does not disclose what had been done, but in *Capital and National Trust Ltd.* v. *Golder* (1949, 28 A.T.C. 236, 31 T.C. 265) the restriction formula adopted and acquiesced in was set out in the Special Commissioners' case. It was not, however, admitted before them that the company was not entitled to claim the full amount.) In 1949/50 the Revenue had changed its attitude. In that year, the brokerage and stamp duties on changes of investment amounted to £40,000 in the case of the Sun Life and £62,000 in the case of the Phoenix; and it will thus be seen that over the whole field the amount of tax involved was very large. In the *Capital and National Trust* case, to which extended reference is necessary because of its critical examination by Harman, J., in the present case, the Special Commissioners had held that brokerage and stamp duty were integral parts of purchasing and selling prices. They had also held that "expenses of management" was mainly concerned with matters up to the time of the actual transactions and did not include what happened after the decision to buy or sell had been made. They had also rejected the view that "including commissions" was conclusive as regards brokerage. Croom-Johnson, J., had upheld their decision, holding that, giving its ordinary everyday meaning to "management expenses," it could not possibly be that:

> changing its investments, paying stamps on transfers, stamps on contract notes, and brokers' remunerations, can be said to be management of the company. It is no doubt incidental to the business . . .

He had also held that the word "commissions" was not apt to include brokerage, the commissions envisaged being quite different. In the Court of Appeal, his decision in favour of the Crown had been unanimously upheld, Tucker, L.J., giving the only judgment and saying that he was in complete agreement with the wording of the Croom-Johnson judgment and adopted it as his own. At the close of his judgment, he dealt with counsel's argument that the expenses in question were "expenses of management" because they were expenses incurred by the management in carrying out the business of the company. To this, Tucker, L.J., had replied:

> That seems to me a totally different thing. What we are concerned with here is the expenses of management, not expenses incurred *by* the management . . .

As Harman, J., pointed out in the present case:

> With every respect, this is to use the word "management" in two totally different meanings in one sentence.

In another of his criticisms of the Tucker judgment he seems to have "slipped up." Quoting from it as follows:

> . . . The gist of the decision lies in the view expressed that the expenses of management in this case are mainly concerned with matters up to the time of the actual purchase or sale of an investment: I think that is the foundation of the Commissioners' finding.

he commented:

> I do not find that in the Commissioners' finding: that is what the learned judge says.

If, however, he had looked again at paragraph 11 of the Commissioners' Case he would not have made that comment. In the present case, the Special Commissioners had again found in favour of the Revenue and Harman, J., making no concealment of his own personal opinion, said that although life assurance companies were trading in investments whilst investment companies were not, buying and selling investments was part of the day-to-day business of both classes of company and he could not distinguish. He was bound by the decision in the *Capital and National Trust* decision.

The views of Harman, J., on the problem may be gathered from the following extract from his judgment. Referring to the day-to-day buying and selling of investments, he said:

> This day-to-day activity in practice involves the services of brokers. It also involves the services of solicitors. Where real estate or mortgage transactions are in question. I cannot see that the charge for the services of the brokers is any different from the charge for the services of the solicitors, or the wages of the clerk who enters the transaction in the books, or the salary of the skilled member of the staff who advises on the purchase or sale.
>
> I do not feel the same confidence about stamp duties . . .

The Revenue would probably agree with him if he had limited his observations to solicitors' services in connection with mortgage or real estate transactions. Whilst, however, the brokerage and stamp duty in respect of a stock or share transaction constitute a definite and easily ascertainable amount, it is otherwise with legal expenses, and especially so in the case of companies with large legal staffs of their own dealing with all sorts of legal questions. In the *Capital and National Trust* case, leave to appeal to the Lords was refused. Here, in view of the opinion of Harman, J., it may be otherwise.

Income Tax

Trade—Dealer in second-hand clothes—Failure to make returns—Appeals against assessments—Adjournment for production of accounts—Accounts not produced—Whether estimated assessments validly confirmed.

Moll v. C.I.R. (Court of Session, December 6, 1955, T.R. 301) was a hopeless case from the legal standpoint. Appellant was a dealer in second-hand clothes at a shop in Dumfries. In default of returns estimated assessments had been made upon him for the years 1948/49, 1949/50 and 1950/51. The case had come before the General Commissioners upon September 19, 1951, when, at the hearing, the appellant's accountant had asked for an adjournment to enable him to prepare accounts for the relative years. At the adjourned meeting on April 9, 1952, the only evidence produced was a statement prepared from the appellant's bank-book. The bank-book was not produced, but the appellant had informed the Commissioners that the bank statement was not a full record of the receipts and expenses of the business, which was largely carried on by cash sales. The Commissioners had thereupon confirmed the assessments upon the ground that the appellant had not discharged the onus upon him to establish that the assessments were excessive. A unanimous Court held that, in the circumstances, the Commissioners were entitled on the information placed before them to come to their conclusion. The Lord President (Lord Clyde) gave the only judgment, the other judges agreeing.

The Month in the City

The Fall Continues

The general weakness of the stock market, which was a matter for comment last month, has continued, if at a somewhat reduced pace. In fact, until February 10, the rate of decline was much less in both fixed interest and equities, while there had been a rally of some 14 per cent. from the worst in gold mining shares. This last development was read in some quarters as an ill omen, since it was associated with rumours of a new distrust in sterling and suggested a switching to provide a hedge against devaluation, which has been freely talked of as a possibility. As against this it was a fact that gold shares had been falling for a very long time and that more than one effort had been made to arouse fresh interest in them. However, on the date named, for no very evident reason, there was a distinct attack on the Funds, some of which lost about ¾ point, while 3½ per cent. War Loan came within an ace of establishing a new low record. On the same day there was a fresh setback to the pound in terms of both dollars and the leading Continental rates. Prior to this there had been a drop of 4d. in the bid price for tender Treasury Bills, accompanied by an increase in commercial bill rates. On that day the bid was unchanged but the average cost to the Exchequer increased further because the outside tenders had come fairly closely into line with the syndicate figure. This movement was in line also with the course of bill rates in New York. The rise in the rate carried the figure above 4⅛ per cent. and the point was being approached at which it might be considered that a further rise in Bank Rate was demanded. Even after this fall the weakness of the market was not as great as was experienced in the preceding month. However, the publication of the January trade figures caused a shock and there was little surprise when Bank Rate was lifted a point to 5½ per cent. and other measures announced. These measures, which include cuts in capital expenditure of the central and local governments and of the nationalised industries together with cuts in the current expenditure of the public through hire purchase restrictions and reduction of the milk and bread subsidies, are more fully noted and discussed in our first Professional Note on page 77. The indices of the *Financial Times* show the following changes as between January 19 and February 20: falls, Government securities from 88.33 to 85.51; fixed interest from 99.10 to 94.93; industrial Ordinary from 189.5 to 173.5; gold mines a rise from 82.7 to 91.9.

Bankers' Diagnosis

The annual review of the economic situation by the London bankers was awaited with particular interest this year. The result is slightly disappointing. All the bank chairmen were agreed about the disagreeable nature of the quantitative restriction of advances after July, 1955, but it was left to Sir Oliver Franks of Lloyds Bank to characterise the measures as amounting to a return to direct controls, abandoned in other fields. There was no further unanimity among the chairmen, although five of the eight—and more than one of their Scottish colleagues—put the principal blame for inflation on the high level of Government expenditure. It was again left to Sir Oliver to point out that what is really essential is that a tight rein be kept on the supply of Treasury Bills, which are the modern equivalent of the printing press. More than one of the chairmen was certain that inflation could not be cured while the present state of brimful employment lasted. A point made with some force was that the real impact of higher Bank Rate could not be judged by the fall in advances but must take account also of the fact that they failed to rise. There was also reference to the undoubted fact that what really matters is not the level of advances but that of deposits. For the banks to curtail advances if the Government are cheerfully creating deposits by another route only changes the direction taken by the inflationary outlay. Sir Oliver appeared to have little faith in the beneficial effects of a further rise in Bank Rate in the absence of other action. What he would have liked to see was the application of pressure months earlier, when the reserves began to fall and the exchange value of sterling to depreciate. He concluded with the view that it paid when there was inflation to have regard to some old-fashioned beliefs—a clear indication that he believed that, pursued with energy and taken in time, orthodox measures would do the trick. Some of his opposite numbers, however, seemed to be asking for a change of heart. No doubt nothing can be done if the whole country is organised in defiance of the official policy. Equally it is no doubt pleasant for the politician if the public will make it unnecessary for him to take unpopular action. But Government anti-inflationary policy cannot both be correct and avoid inconveniencing people.

Local Authority Borrowing

While we had already had a "Colonial" stock bearing a coupon rate of 5 per cent., it was not until the beginning of February that a local authority had to offer this figure. The only one to do so so far is *Huddersfield County Borough*, which issued £2 million 5 per cent. stock 1971–75 at 99. This issue was taken up in the usual five minutes and applicants for above £500 had their allotments reduced, those over £2,000 receiving only 37½ per cent. It is estimated that total applications were around £5 million. This makes it clear that, at the right figure, there is money to be obtained, but the local authorities are now taking large amounts on mortgages, and with the suspension of the seven-year rule a brisk trade is being done in over-the-counter borrowing. It appears from the statement in the Commons that mortgage borrowing is of the order of £100 million, against £11 million raised in the market.

Further Steel Issues

The closing days of January brought the offer of yet another steel company to the public, namely *South Durham*, which offered eight million Ordinary shares of £1 each at 27s 6d and £3 million of 5¼ per cent. Debenture stock 1976–81 at 97. Both went well but while the latter established a premium the equity shares slipped slowly to a discount of over 1s. The discount is a reflection of the general weakness of the market but the Agency was not deterred from planning a further issue for the end of February. If report is correct, the concern, a small one, would not have been scheduled for sale but for the fact that the management are prepared to accept a take-over bid that the Agency considered was below what they could secure in the market. With the further fall in market values this chance seems to have disappeared, and the sale of Park Gate to Tube Investments presumably marks the end of this hope.

Points From Published Accounts

Accounts and the Printing Dispute

THE WAGES dispute in the printing industry has inevitably affected the production of company accounts, but fortunately not yet to the extent that it might have done had it come later in the year. January and February are normally fairly slack months for company reports, and so there has been little real evidence of any hold-up so far. Then, too, a good many sets of accounts are published in the provinces, where the delays in printing works have been rather less acute than in London.

Nevertheless, although the dispute has not so far had serious effects upon the production of company reports, there is undoubtedly a backlog of work building up that will make itself increasingly evident as the weeks go by if the dispute is not quickly settled. The backlog is the larger because of the dismissal notices served on the members of the unions concerned in the dispute in London—all sets of accounts at present in preparation in London are accordingly held up until normal working is resumed. Again, this does not mean that all accounts will cease to be published, for the provincial houses are still operating, although on a restricted scale.

The possibility that many companies may turn to improvised accounts, duplicated or otherwise, in order to adhere to meeting schedules is a very real one. So far, however, we have not seen any company reports in other than printed form. There will be a big enough bottleneck anyway when things get back to normal, and one envisages a flood of accounts. Amongst those due to be issued in the near future are *Imperial Tobacco*, *John Summers*, *English Electric*, *British Home Stores*, *Rugby Portland Cement*, and *Borax*. There is every reason for hoping that some of them at least were already in an advanced stage of production before the final close down became effective in the London area.

The Companies Act, 1948, requires copies of reports to be sent to all members of a company not less than 21 days before the annual general meeting (Section 158), and by Section 131 a general meeting must be held annually and not later than fifteen months from the date of the previous annual meeting. It should also be noted that by Section 158(3) a company and every officer of the company defaulting on the sending of accounts to members within the stipulated time is liable to a fine not exceeding £20.

Canadian Collation

The Canadian Institute of Chartered Accountants has published an analysis by its research staff of the annual reports of 275 industrial and commercial companies for financial years ending in 1953 and 1954. The effort is a monumental one. It aims at being completely factual and avoiding any evaluation of the accounting practices analysed. But it does not hesitate to say whether there is compliance, or the lack of it, with recommendations issued by the Canadian Institute, and whether there are deviations from clearly accepted accounting principles.

There are 45 tables and the British reader is pulled up with a jolt by the first. It shows that over 53.4 per cent. of the 1954 statements do not include comparative figures, and that only 37.5 per cent. present all statements in comparative form. How much easier—but less virtuous—life would be here if there were similar freedom of choice for the accountant in Britain! In this matter of comparative figures we have led the world, and still lead it. We should be proud of the fact.

We can be proud, too, of our rectitude in the production of consolidated statements, headaches though they are. The third table of the analysis shows that, of 187 companies with subsidiaries, 31 did not include the subsidiaries in consolidation, while 41 are classified as in a group labelled "certain subsidiaries included in consolidation and others excluded from consolidation". Rather surprisingly, the reasons for non-consolidation are not tabulated, but they include: (1) the extent to which the parent company controls the voting stock of the subsidiary; (2) the degree of activity or significance of the subsidiary; (3) the closeness of the relationship between the operations of the subsidiary and those of the parent company. Point (3) has cropped up for consideration before now in these notes; there springs to mind the example of *Bowmaker*, the industrial bankers, who used to relegate to footnotes the figures of a subsidiary in a completely different field of activity. This subsidiary has since been sold. There are also other circumstances in which this writer, at least, is of the firm opinion that non-consolidation of a subsidiary is desirable. But here we are admittedly in the zone of individual judgment. If one is going to exclude one subsidiary, why not all? The question is one that holding companies such as *Thomas Tilling*, with subsidiaries in several unrelated fields, might well ask.

Of the 275 Canadian reports examined only 86 present one or more of the following supplementary statements, summaries and schedules:

	Number
Comparative financial (and operating statistics)	37
Statement of source and application of funds	40
Highlights of the year's operations and activities	43
Disposition of gross earnings ..	25
Statement of changes and working capital	10

Here, again, British compilers of published accounts have reason for pride.

No less than 266 of the 275 reports used the two-sided account form for the balance sheet, showing the assets on one side and the liabilities and shareholders' equity on the other side.

A distinct shift took place between 1953 and 1954 in the treatment of investments in subsidiaries not consolidated. In 1953, in the most common presentation (45.2 per cent.) the basis of valuation was not stated. The next most frequent practice (38.3 per cent.) gave cost as the basis of valuation, without any modifying phrase. In 1954, the number omitting the basis of valuation fell to 38.8 per cent., while 45.8 per cent. gave "cost" as the basis.

The report states that the word "reserve" has been used in a greater variety of senses on accounting statements than has any other technical term, and its intended meaning in specific instances has been frequently misunderstood. The Canadian Institute recommended over two years ago that the word "reserve" be limited to segregations of earned surplus, and that reserves be shown on financial statements as constituting part of the shareholders' equity. In 66 balance sheets for 1954 the recommendation was not adhered to, the "reserves" including allowances for doubtful accounts, accumulated allowances for depreciation,

and estimated liabilities for income taxes. There is a reluctance to follow the American practice showing sales revenue. There is no compulsion to show it in Canada.

United Steel's First Report

The denationalised giants of the steel industry did not let their thoughts on accounting presentation ossify during the nationalised period. The accounts published by *United Steel Companies* are first rate, if it is assumed, as the company assumes, that the narrative form is popular with the majority of investors. The writer has it on good authority that the company is proud of the form of its accounts. In the report it is stated: "The form in which the accounts are presented is designed to show in single columns of figures how the capital of the company is employed and the disposal of the excess of income over expenditure and depreciation. In both cases notes and schedules show the make-up of the figures. It is hoped that this form will be regarded as making for greater clarity".

These accounts will give joy to the technical as well as the lay peruser of them. But some will continue to like comparative figures to be given alongside the latest ones, and United Steel so gives them only in the notes.

On the left hand page is a tabular statement of the capital employed, and underneath a statement of how it is employed—current assets, less current liabilities, plus fixed assets and trade investments, with a final deduction of a provision for maintenance.

The word "profit" is avoided. The account begins with the quantity "Excess of income over expenditure and depreciation", and a footnote indicates that the figure is the balance after charging directors' emoluments, audit fees and depreciation, and after crediting investment income. Before the appropriation account is reached, interesting transfers are made—£1.5 million to fixed assets replacement reserve and £700,000 to stock reserve. Incidentally, in the "capital employed" statement capital and revenue reserves are lumped together and detailed in schedules. Thess schedules include share capital, debenture stock, and fixed assets. For full measure there is an analysis of income and expenditure, with figures to the nearest thousand pounds and percentages.

Main headings are printed in red and comparative figures in blue. There are four really beautiful coloured pictures of some of the plant. In short, these are excellent accounts. It would be interesting to have a Canadian view on them!

An Unorthodox Set of Accounts

Town Investments continues to ply an accounting technique that is interesting because it is so unusual. (What is more usual, if less desirable, is that non-recurring items are included with the total profits for the year: on the one side there is a big surplus on disposal of investments, and on the other a payment to the former managing director on cancellation of his service agreement.) Against the total profits for the year subject to taxation are debited profits tax, transfer to buildings replacement reserves, profits before tax applicable to outside shareholders in subsidiaries and the gross Preference dividend, the balance being described as "applicable to the Ordinary share capital." Thus there are two sub-balances. Against the balance applicable to the Ordinary capital is charged, firstly, income tax on total profits, less "retained or retainable from dividends paid and proposed and outside shareholders' proportion of the profits" and, secondly, the gross Ordinary dividend. (The net amount is shown in parentheses.) The final balance represents the unappropriated profits in reserve in the balance sheet and carried forward—the company abstains from bringing in the amount brought forward from the previous year and thus does not further complicate an account that is already rather difficult to follow.

Anyone who wants to delve into the figures and produce a net profit to compare with that struck by companies that use the conventional basis has all the information to work on, because in the group profit and loss account the net amount of the Preference and Ordinary dividends are shown, while by simple deduction the tax attributable to the profits of outside shareholders can be computed, and hence their share of net profits.

Many shareholders may be confused by the accounts, but the aim seems to be to show the cost of the gross Ordinary dividends as compared with profits before income tax that are attributable to the Ordinary shareholders. At the same time shareholders can see clearly enough that the Ordinary dividend takes £66,240 net and that there is £23,051 as the margin over the payment after crediting the investment realisation profit already referred to. When companies and their auditors do not fall in step with the majority practice there is every reason for examining their presentation in case they have something which the majority have not yet evolved, even though they may aspire to it. But there are probably few companies that will wish to emulate the unorthodox ideas of *Town Investments*.

Letter to the Editor

Thing in Action

Sir,—I am indeed appreciative of the comments of the reviewer of my new book, *The Student's Guide to Company Law* (reviewed in ACCOUNTANCY for January, 1956, page 28).

In the interests of readers, more particularly students, I feel, however, that attention might usefully be drawn to the minor point of criticism, "It is doubtful . . . whether the meaning of 'a chose in action' is made more obvious by translating it into 'thing in action'."

This comment, although relatively unimportant, is invalid and perhaps misleading. The phrase appears as "things in action" in the Companies Act, 1948, in the 1929 Act and in the 1908 Act! I have not traced the expression back farther, but even if it were new in 1908, it would appear to have quite a respectable age.

I realise that in Section 25(6) of the Judicature Act, 1873, the phrase occurs in its old form of "chose in action", but when the relevant provision was re-enacted in the Law of Property Act, 1925, it was then "translated" into "thing in action".

Yours faithfully,

FRANK H. JONES.

London.
January 25, 1956.

Our reviewer writes:

I am sorry that my criticism might imply that Mr. Jones had made the translation himself. I did not intend to suggest that he had; I fully realised that the phrase he used received statutory recognition many years ago. My real point was to question whether in a book primarily designed for students there was advantage in using the term "thing in action" when the term students were most likely to meet in several other textbooks, in practice and in their examinations would be "chose in action". A study of the examination papers set by the Society in the last ten years shows that it is always the non-statutory term that is used in questions.

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Readers' Points and Queries

Catering Establishments—Proprietors' Maintenance

Reader's Point.—I am having some difficulty with the Inspector in one particular case with regard to the maintenance of the proprietors, the value placed upon which, I find, appears to vary throughout the country.

I should be glad if readers would be good enough to state the adjustment figure for maintenance *per capita* in their districts, and also whether they have come up against the Inspector's doctrine of the "guests weeks basis," correlated to the proprietors' fifty-two weeks of residence, for calculating this adjustment in arriving at the statutory profit. In the case of a small seasonal establishment the doctrine appears to be inequitable.

I should also be interested to have readers' experiences of the Commissioners' attitude to this method of computing maintenance of the proprietors.

Estate Duty—House Left to Widow

Reader's Query.—A man dies and leaves the whole of his estate to his widow, including the house in which they were living at the date of death. Is the value of the house for estate duty purposes the market value with vacant possession or the market value without vacant possession? If the former, can any deduction be obtained for the costs of finding alternative accommodation? It is submitted that the widow has as much legal right to remain in occupation as a statutory tenant, and that any valuation that ignores this is not a correct valuation.

Reply.—There is an official concession that in the case of a house owned and occupied by the deceased, where a near relative of his was ordinarily resident with him at the date of death and satisfies the Commissioners that he or she intends to remain in the house and has no other place of residence available, any increase of value over pre-war value, insofar as it could only be realised by a sale with vacant possession, is disregarded. The valuation so reduced is reviewed if the property is sold or let within a reasonable period of, say, two years after the death. It should be noted that the concession does not substitute the pre-war value of property for its value at the date of death. It does not exclude such value as there was in vacant possession pre-war nor does it exclude increase in value due to causes other than vacant possession, e.g. increase in value of property due to increase in value of money since before the war. The only element of value to be excluded is that which represents the degree to which vacant possession at the date of death inflated value more than it did before the war.

Profits Tax—Payments to Charities

Reader's Query.—Is it true that donations made under the usual covenant by a company to charitable institutions are allowable as a charge for profits tax?

Reply.—This depends entirely on whether the payment would be an allowable deduction for income tax purposes were it not for income tax being deductible from the payment: for example, a reasonable annual subscription to an institution from which the employees can benefit, such as a hospital for treating an occupational disease, would be allowable. Few charitable subscriptions are likely to qualify.

Dividends Arising after Death

Reader's Query.—I recently submitted a repayment claim on behalf of a deceased client who during his lifetime was the life tenant of a trust. Included in this claim was form R185E being the apportionment of dividends arising after the death of the deceased between the life tenant and remaindermen.

The Inspector of Taxes informs me that this is the income of the executors of the trust and should be used to cover claims to relief from tax by the residuary legatees. He states that as the income did not arise to the deceased in his lifetime it is not to be included in the claim covering the period to the date of his death.

As the income included in form R185E has come to the deceased's estate after deduction of tax, is there any means of recovering this tax either from the Revenue or from the executors of the trust?

Reply.—The Apportionment Act, 1870, does not affect relations between the taxpayer and the Revenue. Dividends received after death, although apportionable wholly or partly to the deceased's estate, cannot be treated as income of the deceased since they were not received during his lifetime (C.I.R. v. Henderson's Trustees, *16 T.C. 282.*) *The net income accrued up to the date of death can be claimed by the personal representative of the deceased life tenant, but for income tax purposes all dividends received since death remain income of the residuary legatee. Compare* Stewart's Exors. v. C.I.R. [*1952*] *33 T.C. 184.*

Tax Relief on Trust Capital

Reader's Query.—In reading your note on page 3 of the January issue, which refers to the recent decision in the Chancery Division in the case of *In re Pelly's Will Trusts*, I am interested to observe that you refer to claims under Section 314 of the Income Tax Act, 1952. The only report I have seen of this case is that contained in the *Weekly Law Reports*, and, as I understand the position, the judgment referred only to claims under Section 101 of that Act. I saw no reference to claims under Section 314.

Reply.—This question raises a point that is currently under discussion, namely, whether the case of In re Pelly's Will Trusts *restricts the trustee's right to income tax refunds to any relief given under Section 101 of the Income Tax Act, 1952.*

It is true that the decision in that case referred only to Section 101 (maintenance claims) but, of course, a wider issue is involved, namely, that a tenant is in the position of a trustee in certain respects, and must not make a profit out of his relations with the trustees. Furthermore, the Judge indicated that a tenant for life was under an obligation to lodge appropriate tax claims so that the capital expenditure incurred by the trustees could be relieved from tax. This is generally taken to mean that all other appropriate income tax claims must be lodged and the reliefs accounted for to the trustees, and it would certainly seem to follow that, as Section 314 is the major authority for tax relief on capital expenditure, any tax recovered under that Section covers the scope of a claim by the trustees for reimbursement.

Publications

The Inventories. By Frederick Staples, C.P.A. Pp. v+113. (*The Counting House Publishing Co., Thiensville, Wisconsin, U.S.A.:* $2.00 net.)

THIS COMPARATIVELY SLIM book deals concisely yet fully with inventory pricing methods. References to F.I.F.O. and L.I.F.O. procedures occupy approximately fifty pages.

The author submits that ordinarily fixed factory overheads should not be included in the inventory price but should be absorbed as operating expenses applicable to the sales of the current year. He admits that the practice has not been generally accepted in the United States. Nevertheless, here is an original line of thought on an important consideration. The reference to over-all percentage writedowns of slow moving stocks is thought-provoking.

Under the section "What should be inventoried" one pauses to re-read the author's remarks about the treatment of goods shipped to customers C.O.D. or on unaccepted sight drafts and his admission that it is the common practice in the United States to treat such goods as belonging to the customer. It is also the common practice in this country; but it is nevertheless in opposition to legal principles. There is no real legal difference between a supply of goods on C.O.D. terms and a supply against a sight draft. In either instance it is clearly indicated that it is the intention of the supplier that the legal property in the goods shall not pass until cash is received. Therefore, until the money passes the goods remain in the ownership of the supplier and must be included in his inventory. The author must be particularly congratulated on his discussion on this topic. It is to be hoped that he may contribute towards a change in the practice in the United States and that eventually the accounting profession and businessmen in this country will also amend the common practice.

The references to the cost of completing shipments billed are also in point.

Although the American conception and practice on inventories vary from those obtaining in this country, there is much in this book of interest to those directly concerned with the subject on this side of the ocean. The costing specialist will find pleasure in a careful reading of the book. There is much material for comparison, the classification is good, the examples in figures are clearly shown and the spacing and type enable one to read without strain.

F.A.R.

The Manual of Modern Business Equipment. Parts 1–4. (*Published for the Office Appliance and Business Equipment Trades Association by Macdonald & Evans Ltd.:* 4s. 6d. net per part, or £5 5s. subscription to complete work of 25 parts with two binders.)

THIS WORK is being issued as a series of booklets, which, when completed, should present a comprehensive review of all kinds of office equipment. Each booklet is in a paper cover, and punched for insertion in binders, which will be supplied to subscribers. Purchasers of individual booklets may obtain binders at 10s. each.

It is intended to keep the work up to date by publishing when necessary a new edition of each part affected by new developments: this can be substituted for its predecessor without discarding the rest of the *Manual*.

The first four parts cover (1) continuous stationery and form feed equipment; (2) correspondence filing systems; (3) intercommunication equipment (mechanical); and (4) punched card systems (mechanised and manual).

Executives of the Office Appliance and Business Equipment Trades Association have collaborated in the writing of concise descriptions of the various types of equipment. Free use is made of illustrations and diagrams to show methods of working, and at the back of each booklet is a list of members of the Association supplying the equipment described.

The *Manual* should be of assistance to business executives, who will be able to ascertain readily what equipment is available and in what ways it is likely to be of use in their offices. Teachers and students of commercial subjects will also find much of interest to them.

A.H.P.

Miscellany-at-Law. A Diversion for Lawyers and Others. By R. E. Megarry. Pp. xvi+415 (*Stevens & Sons, Ltd.:* 25s net.)

THOSE WHO are acquainted with his other publications know that November 5 is Mr. Megarry's appointed day, and that he never lets off a damp squib. His latest book, which is a florilegium of forensic utterance authenticated and apocryphal, though it will appeal most to lawyers, should please many others, including accountants, who are reminded on page 99 that they are "the witch doctors of the modern world".

In his preface the author assures us that "not all law is dull nor all lawyers solemn", and he soon proves his point. Steering a steady course between partiality on the one hand and impartiality on the other, he serves up favourites to suit all tastes: we hear of the testamentary antics of distinguished Judges, of the carting of juries (and whores), of "Pimple's Three Weeks (Without The Option)" and of the borrower who paid through the nose—one of the funniest stores in this notable gathering. Mr. Megarry may say with truth *Nihil humanum a me alienum puto*, no mean boast for a Chancery practitioner.

The connoisseur of recondite humour will not be disappointed, but there is much here for the unsophisticated too; and quite apart from amusing us, *Miscellany-at-Law* brings to our notice, from the observations of English, Scottish, Irish, Commonwealth, and American judges, many noble expressions of liberal opinion, as for example the words of Holmes, J., in 1929: "If there is any principle of the Constitution that more imperatively calls for attachment than any other it is the principle of free thought—not free thought for those who agree with us but freedom for the thought that we hate".

To prove this is more than a *jeu d'esprit* there are footnotes, a glossary (containing only those technical terms which may stand between the layman and his appreciation of the text; the layman may be excused if he does not immediately jump, with the agility of the Scotch sheep on page 282, to the meaning of "the proceedings were brought by Bill in the Equity side of the Exchequer" on page 76) and tables of statutes and cases:

"Here they publish, fresh and fresh,
News of the Devil and news of the Flesh,
And as for the World they take the view
That it simply consists of the other two."

N.F.

Books Received

Social Accounts and Input-Output Tables. By Eugene Grasberg. Pp. 7. "Reprint" Series No. 23. (*Incorporated Accountants' Research Committee, London, W.C.2:* 2s 6d net.)

Historical Costs or Present Values? By Leo T. Little. Pp. 20. "Reprint" Series No. 22. (*Incorporated Accountants' Research Committee, London, W.C.2:* 5s net.)

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Legal Notes

Company Law—

Authorisation of Unit Trust Schemes

The Prevention of Fraud (Investments) Act, 1939, as amended by the Companies Act, 1947, prohibits certain dealings in securities but also provides for some exemptions from those prohibitions. Among those exemptions are unit trust schemes authorised by the Board of Trade, a "unit trust scheme" being defined as "any arrangements made for the purpose, or having the effect, of providing facilities for the participation by persons, as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property whatsoever." By Section 16(1) of the Act the Board of Trade may authorise a unit trust scheme if they are satisfied that various conditions are fulfilled, one condition being that the scheme is such as to secure that any trust created in pursuance of the scheme is expressed in a deed providing, to the satisfaction of the Board, for the matters specified in the Schedule. Included in this Schedule is a requirement that the trust deed must provide for determining how the manager's prices for units on a sale or a purchase are to be calculated.

A. Ltd. drew up a unit trust scheme. The trust deed clearly showed how the manager's prices for units of a sale or a purchase were to be calculated, but the Board of Trade refused to authorise the scheme on the ground that the initial service charge, included in the purchase price of units, was too high. In **Allied Investors Trusts Ltd. *v* Board of Trade** [1956] 2 W.L.R. 224, A Ltd contended that the Board had no right to refuse authorisation; if the trust deed showed how the price was calculated, the Board could not object to the method of calculation. The Board contended, and their contention was accepted by the Court, that the trust deed had not only to provide for the matters set out in the Schedule but also to provide for these matters "to the satisfaction of the Board." If, as in this case, the Board were not satisfied that the method of calculating the price was reasonable, they were entitled to refuse authorisation.

The Board also contended that, apart from the special matters set out in the Schedule, they had a general discretion to exercise their judgment whether a scheme should be authorised, having regard to the interests of the public and the fairness of the scheme. The learned Judge left this point open but indicated that in his opinion the Board probably did have this general discretion.

Company Law—

Opposition by Majority of Creditors to Compulsory Winding-up

K Ltd was in voluntary liquidation when a petition was made that the company should be wound up compulsorily. This petition was opposed by a large majority, both in number and value, of the creditors on two grounds: (a) the validity of the petitioner's debt was disputed and (b) the company was one of a number of closely linked companies, all of which were in voluntary liquidation with F as liquidator, and it was desirable that F should continue to act as liquidator for all these companies.

Vaisey, J. had made an order for the compulsory winding-up of the company, but in **In re B. Karsberg Ltd.** [1956] 1 W.L.R. 57, the Court of Appeal reversed this decision. On the first point the Court said that on the evidence before them it was a matter of surmise whether or not the petitioner's debt was valid, but that was a question which could be determined later. The appellants were entitled to succeed on the second point, for the rule was that, if a compulsory winding up was opposed by the majority of creditors, the Court should not make an order unless some valid reason was shown for not giving effect to the wishes of the majority. In this case no valid reason had been shown. It might be that the Court ought eventually to carry out an investigation into the company's affairs, but that investigation could both conveniently and adequately be carried out in the course of the existing voluntary liquidation.

Contract and Tort—

Effect of Income Tax and Surtax on Damages

In assessing damages for personal injuries the Court takes into account as one of the factors the plaintiff's loss of earnings, both actual and prospective. It had long been the rule that in making this assessment the Court should ignore the question whether income tax or surtax would have been payable on those earnings, with the result that plaintiffs sometimes received much more in damages than the net sum that they would have earned if they had not been injured. In **British Transport Commission v Gourley** [1956] 2 W.L.R. 41, the House of Lords has now decided that this rule was wrong and that the hypothetical incidence of tax must be taken into account.

In that case G, an eminent civil engineer, had been injured in a railway accident and it was agreed that his loss of earnings amounted to £37,720 gross but only to £6,695 if tax was taken into account. It was also agreed that he would not be liable to pay tax, whether the larger sum or the smaller sum was awarded to him as damages. The House of Lords awarded him the smaller sum, saying that he was entitled to receive under this head of damage only the sum that he would actually have lost.

The House recognised that this decision would make the task of assessing damages more complicated than it is at present, but they said that generally the estimate of tax should be formed on broad lines without elaborate calculations. It was impossible to assess with mathematical accuracy what reduction should be made for tax, just as it was impossible to assess with mathematical accuracy the amount of damages which should be awarded for the injury itself and for the pain and suffering endured.

The learned Lords were divided in their opinions on whether or not the same principle would apply to actions for damages for wrongful dismissal. It is possible that in some circumstances those damages would themselves be subject to tax, and, if so, it would plainly be unjust that the plaintiff should have his damages reduced because of the hypothetical tax on his earnings and then have to pay actual tax on the damages so reduced.

Executorship Law and Trusts—

Property Liable for Payment of Debts

At the death of a testator some of his property was mortgaged to a bank to secure an overdraft. Part of this mortgaged property was specifically devised and the rest fell into residue. The will contained no direction that the property specifically devised should be free from any liability to discharge any part of the mortgage debt. In these circumstances the trustees of the will took out a summons to determine from what source the mortgage debt should be paid off. In **Re Biss deceased** [1956] 2 W.L.R. 94, Harman, J., held that the liability should fall primarily on the mortgaged property which fell into residue, but that the property specifically devised must bear the burden of the balance.

The Student's Columns

I—GROUP ACCOUNTS*

But when consolidation takes place at a date after acquisition, adjustments must be made to allow for profits and losses of subsidiaries since that time, and these are applied against the surplus account of the holding company. When, as in this example, only part of the equity capital is held by the parent, further adjustments are also needed in order that the proportion of net assets of the subsidiary belonging to outside shareholders is reflected.

In pursuance of these principles, the following is the consolidated balance sheet:

Y Limited and its Subsidiary
Consolidated Balance Sheet as at October 1, 1955

	£	£
Authorised and issued capital		
100,000 Ordinary shares of £1 each ..		100,000
Capital reserve		98,266
Revenue reserves		67,400
		265,666
Interest of minority shareholders in subsidiary company		78,334
		344,000
Fixed assets		300,000
Current assets	263,500	
Less Current liabilities	219,500	
		44,000
		£344,000

and the working out of these figures is:

(1) *Capital reserve*	£	£
Y Ltd. owns 4/5ths of the equity of Z Ltd.		
Revenue reserves of Z Ltd. at 1/9/52 ..	237,000	
Less 1/5th to outsiders	47,400	
	189,600	
Add Nominal value of Y's holding ..	40,000	
Equity value of Y Ltd. at acquisition date	229,600	
Less Cost of holding to Y Ltd. ..	131,200	
Excess of value over cost (capital reserve account)	98,400	98,400
Cost of 26,666 Preference shares to Y Ltd.	26,800	
Less Nominal value	26,666	
Excess of cost over value (goodwill)	134	134
To Consolidated balance sheet		£98,266

(2) *Revenue reserves*	£
Revenue reserves of Z Ltd. at 1/9/52 ..	237,000
Less Reserves at 1/10/55	215,000
Post-acquisition loss made by subsidiary	22,000
Less 1/5th to outsiders	4,400
Loss to be borne by Y Ltd.	17,600
Surplus account of Y Ltd. at 1/10/55 ..	85,000
Less loss by subsidiary	17,600
To Consolidated balance sheet	£67,400

(3) *Interest of minority shareholders in subsidiary company*	£	£
Nominal value of Ordinary share capital		10,000
1/5th proportion of proposed Ordinary dividend		2,000
Proportion of revenue reserves at 1/9/52 (see (1) above)	47,000	
Less Post-acquisition loss (see (2) above)	4,400	43,000
Nominal value of Preference share capital		23,334
To Consolidated balance sheet		£78,334

(4) *Inter-Company indebtedness* cancelled out.

(5) *Current assets:*	£
Y Ltd.	87,000
Less 4/5ths of proposed Ordinary dividend of Z Ltd.	8,000
	79,000
Add Z Ltd.'s current assets	184,500
To Consolidated balance sheet	£263,500

(6) *Current Liabilities*	
Y Ltd.	44,500
Z Ltd.	175,000
To Consolidated balance sheet	£219,500

There is nothing to prevent the pre-acquisition reserves and profits of subsidiary companies being used to write-off the differences between the nominal value of the shares which the company holds and the amount at which these shares appear in the balance sheet of the parent company.

Cross-holdings in Consolidation

The practical application of the requirements of the Act for consolidation demands careful thought when there are complicated cross-holdings of shares among members

*The first part of this article was published in our February issue, pages 66/67.

of a group; different opinions may be held of the methods used for the compilation of consolidated accounts to show "a true and fair view of the state of affairs and profit or loss of the company and the subsidiaries dealt with thereby as a whole" (Section 152).

If a controlling interest is obtained gradually or by stages, one opinion[1] suggests that the date on which a company becomes a subsidiary is the datum line for the purpose of measuring pre-acquisition profits; while another[2] comments that if the first purchase of shares is of a substantial measure there does not appear to be any good reason for regarding the profits or losses arising during the interval between the first and second purchase of shares, so far as they are attributable to the shares purchased on the earlier date, as being of a capital nature, although the relationship of holding and subsidiary company had not been established.

An example of cross-holdings and the calculation of capital reserve and cost of control occurs when a holding company acquires a holding in a company that already has a holding in yet another subsidiary of the holding company.

Suppose that, in the situation obtaining in the consolidated balance sheet given earlier in this article (page 106), Y Ltd. borrowed £20,000 and for £60,000 acquired 90 per cent. of the Ordinary shares in X Ltd. (a company owning a one-fifth minority interest in Z Ltd., a subsidiary of Y Ltd.). At the date of acquisition the balance sheet of X Ltd. read:

X Ltd.

	£		£
Share capital:		Fixed assets:	
30,000 Ordinary shares of £1 each	30,000	Shareholding in Z Ltd. (10,000 Ordinary shares of £1) at cost	20,000
Current liabilities	10,000	Current assets	12,000
		Profit and loss account	8,000
	£40,000		£40,000

Note: Current assets include a proportion of the proposed Ordinary dividend of Z Ltd. (£2,000).

The interest of the shareholders is, therefore, as follows:

	£
Assets of X Ltd.	40,000
Less:	
Shares in Z Ltd. (cost) .. £20,000	
Creditors 10,000	
Profit and loss account 8,000	
	38,000
	2,000
Add:	
Net assets of Z Ltd. attributable to the holding of X Ltd. (1/5th of £265,000)	53,000
Net assets of X Ltd.	£55,000

[1]F. H. Jones, *Guide to Company Balance Sheets and Profit and Loss Accounts.*

[2]Dicksee, *Auditing*, 17th edition.

Distribution:		
1/10th proportion minority interest ..	5,500	(Includes capital £3,000)
9/10ths proportion to Y Ltd.	49,500	
Cost of 9/10ths interest to Y Ltd. ..	60,000	
Therefore, goodwill (net cost of control) to Y Ltd. = ...	£10,500	

After allowing for the adjustments consequent upon the acquisition of X Ltd. to the group, and following the principles previously explained, the consolidated balance sheet at October 1, 1955, appears thus:

Y Ltd. and its subsidiary companies
X Ltd. and Z Ltd.

	£	£	£
Share capital authorised and issued	100,000	Fixed assets	300,000
Capital reserve (£98,266 less £10,500 goodwill)	87,766	Current assets	233,500
Revenue reserves	67,400		
Minority interests:			
Z Ltd. Preference capital £23,334			
X Ltd.:			
Capital 3,000			
Reserve 2,500			
	28,834		
Current liabilities	249,500		
	£533,500		£533,500

It may be noted that when Y Ltd. acquired an interest in Z Ltd. the outside shareholders' proportion was naturally excluded from a capital accretion to the holding company. When, therefore, Y Ltd. acquired X Ltd., the outside (Ordinary) shareholders' interest in Z Ltd. (which belonged to X Ltd.) had to be taken into account in valuing the net assets of X Ltd., and in consequence of the capitalisation of this interest the proportion of net assets attributable to the minority shareholders in X Ltd. is calculated.

Exempt Private Company as Parent

This opportunity may be taken to clarify a passage in the first part of this article, at the foot of page 66 of the February issue, as this has given trouble to some readers. The statement that in the circumstances described group accounts need not be *submitted* was not intended to suggest that group accounts need not be furnished to shareholders, but only that they need not be sent to the Registrar of companies. Section 156 requires group accounts to be annexed to the balance sheet. Section 127 requires them to be filed with the annual return to the Registrar, but Section 129 gives exemption, in certain cases of private companies, from the requirements of Section 127.

The statement in the following sentence of the first part of the article, that "the subsidiary can in these circumstances hold shares in its holding company," is based on paragraphs 1 (*a*) and 6 (1) and (2) of the Seventh Schedule to the Act. In the first line of page 67, the reference to the Sixth Schedule should be to the Seventh Schedule.

[*Concluded*]

II—SCHEDULE A AND RATES

THE NEW RATING assessments are forming a topic of conversation and of journalism throughout the country. In general there seems to be a moderate increase in rateable values on most houses, but a greater—in some cases a very considerable—increase on business premises (see ACCOUNTANCY, February, 1956, page 40).

It is well to remember that the Schedule A assessment does not follow the rating assessment, for fresh legislation will be necessary for a revaluation for Schedule A. But in view of the fact that the valuation for rating is now in Revenue hands, it is unlikely that two different bases will be used when the necessary legislation is passed. The Royal Commission on the Taxation of Profits and Income recommended last year that Schedule A assessments should be based on the gross rating value or the rent paid, if higher.

Many properties are let at an inclusive rent. The agreement in such circumstances almost invariably provides that the tenant shall also pay any rates in excess of a stated amount, so that the landlord's net rent is not affected.

It may be that in districts where there are numerous business premises, a fall in the rate in the pound will mean that the rates payable by householders will come down in spite of the increased valuations. This will benefit the tenants where the rates are still in excess of the stated amount. Although the Revenue, without fresh legislation, cannot increase a Schedule A assessment unless there is a change in the identity of the property such as structural alterations, the taxpayer may appeal in any year for a reduction if he can show cause. Should the taxpayer therefore have an inclusive letting agreement without an "excess rates" clause, and the rates go up, he should appeal.

The excess rents provisions protect the Revenue in the case of property let at more than the Schedule A assessment; the Case VI assessment on excess rents will vary with the rates where there is no excess rates clause.

Illustrations

(1) Weekly rent, inclusive of rates up to 6/– a week, is £1 a week. The net annual value (N.A.V.) is £22.10.0. The actual rates are 9s. a week.

It is the practice to take 50 weeks' rent as the basis of assessment.

True rent 20s. — 6s. = 14s. weekly.

	£ s.
50 weeks' rent	35 0
Repairs allowance	8 15
True N.A.V.	26 5
Actual N.A.V.	22 10
Excess rent	£3 15

(2) Had there been no excess rates clause, the computation would have become:

	£ s.
True rent 11s. × 50 =	27 10
Repairs allowance (say)	7 0
True N.A.V.	£20 10

An application could be made for a reduction of the Schedule A assessment for the year.

An interesting feature of the new rating assessments is that the extra amount payable in rates by businesses will not "hit" them so much as a similar increase on the residence of an individual, since the rates are allowable in the business accounts.

Illustration:

	On Old Rates	*On Increased Rates*
	£	£
Profits before rates	2,000	2,000*
Rates	500	1,200
	1,500	800
Income tax	£637 10 0	£340

*Assuming the additional rates are not passed on in higher selling prices.

This means that £297. 10. 0. of the increase in rates is borne out of the Exchequer. If the extra burden on the Central Government were large in total, it might affect the rate of income tax.

If the owner of the business were liable to surtax, the amount met out of tax would be so much more. In the extreme case of an individual in business, as much as from 10/6 to 18/6 in the £ of the increase in rates could come out of the amount otherwise payable to the Exchequer, according to the amount of his total income.

The householder, on the other hand, will bear any increase unless he pays a fully inclusive rent.

Illustration:

Surtax payer with £10,000 other income.

	Old	*New*
	£	£
Profit before rates	20,000	20,000*
Rates	3,000	6,000
	17,000	14,000
Income Tax	7,225	5,950
Surtax on business profits	8,275	6,775
	15,500	12,725

*Assuming the additional rates are not passed on in higher selling prices.

	£ s.		£ s.
Surtax on £27,000	10,462 10	on £24,000 =	8,962 10
10,000	2,187 10	on 10,000 =	2,187 10
	£8,275 0		£6,775 0

The Exchequer meets £2,775 of the increase in rates.

THE SOCIETY OF
Incorporated Accountants

District Societies and Branches

Scottish Branch

A meeting of the Council of the Scottish Institute of Accountants (the Scottish Branch of the Society) was held in Glasgow on January 27. Mr. Festus Moffat, O.B.E., President of the Branch, was in the chair.

The Council noted with regret the death of Mr. John Stewart, a Vice-President. The Branch had been represented at the funeral by Mr. Moffat.

Mr. Alexander M. Shaw, F.S.A.A., was unanimously elected a Vice-President in succession to the late Mr. Stewart.

It was decided that the annual meeting of the Branch be held on April 6 at 2.30 p.m.

A resolution was passed of congratulation to Mr. Bertram Nelson, President of the Society, upon the award of C.B.E.

South of England

A successful supper dance was held at the Royal Hotel, Southampton, on January 20. It was attended by Mr. B. A. Apps, President of the District Society, and Mrs. Apps, and 110 members and guests.

London Students' Society

Pre-Examination Courses

Pre-examination courses for both Intermediate and Final candidates will be held at Ashridge College, Berkhamstead, from Wednesday, April 18, to Monday, April 23, 1956. The programmes for the courses are as follows:—

Intermediate Course—April 18 to 23:

"Company Taxation", by Mr. K. S. Carmichael, A.C.A. (two lectures).

"Amalgamations and Reconstructions", by Mr. R. Glynne Williams, F.C.A.

"Reliefs for Losses", by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

"Partnership Assessments", by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

"Negotiable Instruments", by Mr. P. J. Ash, M.A., Barrister-at-Law.

"Law of Contract (including Sale of Goods)", by Mr. P. J. Ash, M.A., Barrister-at-Law.

"Company Accounts", by Mr. V. S. Hockley, B.Com., C.A.

"Costing", by Mr. V. S. Hockley, B.Com., C.A.

"Investigations", by Mr. V. S. Hockley, B.Com., C.A.

"Verification of Assets and Liabilities", by Mr. A. C. Simmonds, F.S.A.A.

"Duties and Responsibilities of an Auditor", by Mr. A. C. Simmonds, F.S.A.A.

"The Technique of Auditing", by Mr. A. C. Simmonds, F.S.A.A.

"Partnership Accounts", by Mr. P. E. Harris, A.S.A.A.

"Branch Accounts", by Mr. P. E. Harris, A.S.A.A.

"Personal Reliefs", by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.

"Schedules A, B, C and E", by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.

"Company Law", by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

"Executorship Accounts", by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.

"Accounts in Bankruptcy and Liquidation", by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.

"Banking, Shipping and Insurance", by Mr. A. R. Ilersic, M.Sc.(Econ.), B.Com.

"Financing of Companies", by Mr. A. R. Ilersic, M.Sc.(Econ.), B.Com.

Course Discussion.

Final Course—Part I—April 18 to 20:

"Costing", by Mr. W. W. Bigg, F.C.A., F.S.A.A. (two lectures).

"Accounting for Management", by Mr. W. F. Edwards, F.S.A.A.

"Partnership Accounts", by Mr. R. Glynne Williams, F.C.A.

"Company Accounts", by Mr. R. Glynne Williams, F.C.A.

"Executorship Accounts", by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.

"Auditing", by Mr. V. S. Hockley, B.Com., C.A.

"Amalgamations and Reconstructions", by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A.

"Group Accounts" by Mr. A. E. Langton, LL.B., F.C.A., F.S.A.A. (two lectures).

Course Discussion.

Final Course—Part II—April 20 to 23:

"General Financial Knowledge (including Financial Structure of Companies)", by Mr. Leo T. Little, B.Sc.(Econ.).

"Current Economic Trends", by Mr. Leo T. Little, B.Sc.(Econ.).

"Company Law", by Mr. C. H. Beaumont, Barrister-at-Law.

"Law relating to Executors and Trustees", by Mr. C. H. Beaumont, Barrister-at-Law.

"Capital Allowances", by Mr. L. A. Hall, A.C.A., A.S.A.A.

"Schedule D with particular reference to Partnerships and Reliefs for Losses", by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

"Profits Tax", by Mr. L. A. Hall, A.C.A., A.S.A.A. (two lectures).

"Bankruptcy and Liquidation", by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

"Law of Contract and Sale", by Mr. O. Griffiths, M.A., LL.B., Barrister-at-Law.

Course Discussion.

The cost for each student attending will be as follows:—

Intermediate Course—£6.6.0d.
Final Course—Part I—£3.3.0d.
Final Course—Part II—£3.3.0d.
Final Course—Parts I & II—£6.6.0d.

These charges include food, accommodation and transport to and from Berkhamstead Station.

Facilities at Ashridge include an excellent library, lecture halls and comfortable bedrooms. Tennis courts and football pitches are available for recreation.

Application forms have been sent to all members of the London Students' Society, but members of other District Societies who wish to attend can obtain application forms direct from the Secretary of the London Students' Society, or from the Hon. Secretary of their own District Society.

Council Meeting

JANUARY 25, 1956

Present: Mr. Bertram Nelson (President) Sir Frederick Alban, Mr. F. V. Arnold, Mr. Edward Baldry, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. C. V. Best, Professor F. Sewell Bray, Mr. W. F. Edwards, Mr. E. Cassleton Elliott, Mr. J. S. Heaton, Mr. J. A. Jackson, Mr. Hugh O. Johnson, Mr. H. L. Layton, Mr. C. Yates Lloyd, Mr. S. L. Pleasance, Mr. F. E. Prior, Miss P. E. M. Ridgway, Mr. P. G. S. Ritchie, Mr. W. G. A. Russell and Mr. R. E. Starkie.

Council

Mr. E. Cassleton Elliott expressed the congratulations of the Council to the President on his appointment in the New Year Honours List as a Commander of the Order of the British Empire.

The Council congratulated Sir Frederick Alban on his election as Vice-President of the Chartered Institute of Secretaries.

The President welcomed Mr. J. A. Jackson on his return from his visit to Africa, in the course of which he addressed members of the South African (Northern) Branch of the Society in Johannesburg and met the Council of the East African Association of Accountants in Nairobi.

Preliminary Examination

The Council decided that place certificates be no longer awarded in the Preliminary Examination.

Reports of Committees

Reports were received on recent meetings of the Finance and General Purposes, Examination and Membership, Applications, and Company Law and Practice Committees, and of the ACCOUNTANCY Editorial Conference. The Council also

received the minutes of a meeting of the South African Council.

Examination Medals and Prizes

The following awards were approved in respect of the examinations held in 1955:
Gold Medal to Norman Girling, Lagos, Nigeria.
Silver Medal to Norman John Edwards, B.A., London.
Henry Morgan Memorial Prize to Norman Girling, Lagos, Nigeria.
Irish Jubilee Prize—Final to Jan Bernard Van Dessel, Dundalk.
Irish Jubilee Prize—Intermediate to Terence Marley Crosbie, Waterford.

Membership

Subject to completion of the prescribed documents and payment of fees as appropriate, the Council approved 247 applications for admission to membership of the Society, twelve for advancement to Fellowship, and one for reinstatement in membership. It was reported that eight members had been registered as members in retirement.

Resignations

It was reported that the following had resigned their membership with effect from January 1, 1956: ATTENBOROUGH, Philip (Fellow) Jersey, C.I.; BARKER, William John (Associate) Burnham on Crouch; BEAN, James Hodgson (Associate) Cambridge; BEER, William Wallace (Fellow) Exeter; BRADLEY, James (Fellow) New Milton; EGGINS, Wilfred Leslie (Associate) Penrith, N.S.W.; HUTCHINSON, Matthew (Fellow) Newcastle-upon-Tyne; MUNDY, Reginald Cecil (Associate) Leeds; PETHERICK, Ian Stuart (Associate) Enfield; SHIPTON, Guy Frederick Hill (Fellow) Dorchester; SYMMONS, Robin Garwood (Associate) Hook; WARBRICK, Richard (Associate) Liverpool; WOMERSLEY, William Clough (Associate) Halifax.

Deaths

The Council received with regret a report of the death of each of the following members: CATTERALL, Sidney (Associate) Preston; COOPE, Frederick William, J.P. (Fellow) Blackpool; COX, Francis Richard James (Fellow) Abingdon; DAS GUPTA, Jnanendra Narayan, M.A. (Associate) Benares; DENNING, Arthur (Fellow) Exeter; HALL, Charles Gavin (Associate) Newcastle-upon-Tyne; HALL, Harold (Fellow) Bury; JOBSON, Arthur William (Fellow) Romford, Essex; JOHNSTON, Frederic Ludwig (Associate) Belfast; LEYS, Ronald Buchanan Kirkwood (Associate) St. Neots, Hunts.; MILNE, James Leslie (Associate) London; MYERS, Harry Duxbury (Fellow) Keighley; NEWTON, Thomas Henry (Associate) London; PATTISON, James Ernest (Snr.) (Fellow) Gateshead; PEARCE, Murray Edmund Joseph (Fellow) Poole; PEARSON, Thomas (Associate) London; POPERT, Kate Annie, M.B.E. (Associate) Richmond, Surrey; SELLERS, Charles Henry (Fellow) Marlow, Bucks.; SMITH, Percival Haviland (Associate) Cardiff.

Revised Syllabus—Final Examination

As already announced, the new syllabus for the Intermediate and Final Examinations (see ACCOUNTANCY, August, 1955, pages 284 and 318–320) will come into operation with the November, 1957, examinations.

Candidates who, at the date of the introduction of the new syllabus, have passed Part I only of the Final Examination under the old syllabus will be required to present themselves for the following papers:

1. Company, Partnership and Commercial Law
2. Law relating to Executorship, Insolvency and Arbitration
3. Economics and Financial Knowledge
4. Taxation.

Candidates who, at the date of the introduction of the new syllabus, have passed Part II only under the old syllabus will be required to present themselves for the following papers:

1. Advanced Accounting I
2. Advanced Accounting II
3. Auditing and Investigations
4. Management Accounting with special reference to the Interpretation of Accounts and use of Costing Data.

Events of the Month

March 1.—*Cambridge:* Joint meeting with the Chartered Institute of Secretaries. Shire Hall, at 7 p.m.

March 2.—*Birmingham:* "Schedule 'E' Assessment and Collection of Taxes," by Mr. E. L. Cowell, H.M. Inspector of Taxes. Law Library, Temple Street, at 6.15 p.m.
Gloucester: "The Finance of Company Expansion," by Professor D. Solomons, B.COM., A.C.A. The Gloucester Technical College, Brunswick Road, at 6.30 p.m.
Leicester: Quiz. Panel of Inspectors of Taxes and accountants. Balmoral Room, Bell Hotel, at 6 p.m.
Manchester: "Taxation," by Mr. N. D. B. Robinson, M.B.E., F.S.A.A. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.
Manchester: "Work Study," by Mr. G. M. Storie, B.COM., C.A. Joint meeting arranged by the Chartered Institute of Secretaries, Manchester and District Branch. Chartered Accountants' Hall, 60 Spring Gardens, at 6.15 p.m.
Swansea: "Examination Technique," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Students' meeting. Central Public Library, at 6.45 p.m.

March 3.—*Leeds:* "The Requirements of the 8th Schedule of the Companies Act, 1948, with particular reference to the Balance Sheet," by Mr. P. M. Sheard, A.C.A. Students' revision class. 2 Basinghall Square, at 10.30 a.m.

March 5.—*London:* "Marginal Costing," by Mr. K. W. Bevan, A.C.A. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

March 6.—*Bradford:* Demonstration of machine accounting, by the National Cash Register Co. Ltd. Liberal Club, Bank Street, at 6.15 p.m.
Hull: Luncheon meeting. New Manchester Hotel, at 12.50 p.m.
Leeds: Joint quiz meeting with law students, Institute of Bankers and Chartered Institute of Secretaries. Great Northern Hotel, at 6.45 p.m.
Newcastle upon Tyne: "Accounting Provisions of the Companies Act," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Library, 52 Grainger Street, at 6.15 p.m.
Sheffield: "Flotation of Public Companies," by Mr. R. F. Sumner, A.C.A. Grand Hotel, at 5.45 p.m.

March 7.—*Colchester:* "Executorship Law, Problems of Capital and Income," by Mr. J. Linahan, A.S.A.A. Joscelin Café, High Street, at 7 p.m.
Dublin: "Business Finance," by Mr. M. McCormac, M.A., B.COMM., A.A.C.C.A. Students' meeting. Jury's Hotel, College Green, at 6.15 p.m.
West Hartlepool: "Accounting Provisions of the Companies Act," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Grand Hotel, at 6.30 p.m.

March 8.—*Grimsby:* "General Financial Knowledge", by Mr. H. G. Hodder, Editor, *National Provincial Bank Review.* Chamber of Commerce, 77, Victoria Street, at 7.30 p.m.
Nottingham: "Income Tax Developments since the Income Tax Act, 1952", by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. The Reform Club, Victoria Street, at 6.30 p.m.
Wolverhampton: "Profits Tax", by Mr. L. A. Hall, A.C.A., A.S.A.A. The Star and Garter Hotel, at 6.15 p.m.

March 9.—*Birmingham:* "Pension Schemes and their effect on Taxation", by Mr. R. H. Day, of the Life Association of Scotland. Law Library, Temple Street, at 6.15 p.m.
Bristol: "Current Economic Trends", by Mr. A. R. Ilersic, M.Sc. (Econ.), B.Com. Royal Hotel, College Green, at 6.30 p.m.
Glasgow: Brains Trust—questions and answers. Students' meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.
Hull: "Rates of Interest", by Mr. H. G. Hodder, Manager, Intelligence Department, National Provincial Bank Ltd. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.
Leicester: "Profits Tax", by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Students' meeting. Victoria Hotel, Granby Street, at 6 p.m.
Manchester: "An Outline of Company Law", by Mr. J. Stewart Oakes, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, 90, Deansgate, at 6 p.m.
Swansea: "Consequential Loss Insurance", by Mr. I. H. F. Findlay. Mackworth Hotel, at 6.45 p.m.

March 10.—*Leeds:* "Surtax", by Mr. J. A. Shires, A.S.A.A. Students' revision class. 2, Basinghall Square, at 10.30 a.m.

March 12.—*Bedford:* "Mercantile Law (Agency)", by Mr. P. J. Ash, M.A., Barrister-at-Law. Students' meeting. Embankment Hotel, at 6.15 p.m.
Carlisle: Informal Dinner to meet the President of the Society of Incorporated Accountants, Mr. Bertram Nelson, C.B.E., F.S.A.A. County Hall, at 7.30 p.m.
Coventry: "Terminal Losses in Income Tax", by Mr. L. A. Hall, A.C.A., A.S.AA. Rose and Crown Hotel, High Street, at 6.15 p.m.
London: "Apportionments in Estate Accounts", by Mr. V. S. Hockley, B.Com., C.A., A.A.C.C.A. Students' meeting. Incorporated Accountants' Hall, W.C.2. at 6 p.m.
Portsmouth: "Current Taxation Developments", by Mr. J. S. Heaton, F.S.A.A. Gas Undertaking Conference Room, Guildhall Square, at 6.15 p.m.

March 13.—*Southampton:* "Current Taxation Developments", by Mr. J. S. Heaton, F.S.A.A. Polygon Hotel, at 6.30 p.m.
Dudley: "The Money Market", by Mr. J. N. Dickinson. The Dudley and Staffordshire Technical College, The Broadway, at 7 p.m.

March 14.—*Bournemouth:* "Current Taxation Developments", by Mr. J. S. Heaton, F.S.A.A.
London: Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
London: Visit to Leo Computers Ltd. Demonstration of "Leo". For 28 students. Cadby Hall, W.14, at 2 p.m.
Sheffield: "The Preparation of Group Accounts", by Mr. K. S. Carmichael, A.C.A. Students' meeting. Grand Hotel, at 4 p.m. and 6 p.m.
Worcester: "Back Duty Investigation", by Mr. J. W. Walkden, A.C.A., A.S.A.A. Crown Hotel, Broad Street, at 6.30 p.m.

March 15.—*Cambridge:* "Random Reflections of a Town Clerk", by Mr. A. H. I. Swift, M.A., LL.B. Shire Hall, at 7 p.m.

March 16.—*Birmingham:* "Executorship—dealing with the Intestate's Estates Act, 1952", by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A. Joint meeting. Chamber of Commerce, New Street, at 6.30 p.m.
Manchester: "Costing", by Mr. S. C. Roberts, F.C.W.A. Students' meeting. Incorporated Accountants' Hall, 90, Deansgate, at 6 p.m.
Norwich: Dinner. Flixon Room, Samson and Hercules House.

March 17.—*Leeds:* "Estate Duty Accounts", by Mr. C. S. Paylor, A.C.A., A.S.A.A. Students' revision class. 2, Basinghall Square, at 10.30 a.m.

March 19.—*London:* "Arbitration", by R. D. Penfold, Barrister-at-Law. Students' meeting. Incorporated Accountants' Hall, W.C.2., at 6 p.m.

March 20.—*Carlisle:* "Tax Computations", by Mr. F. Stuart, A.S.A.A. County Hotel, at 6.30 p.m.
Exeter: "The Treatment of Loss Claims", by Mr. R. W. Moon, B.Litt., A.C.A. Rougemont Hotel, Queen Street, at 6 p.m.
Newcastle-upon-Tyne: "Management Accounting", by Mr. H. Kirton, A.C.A. Library, 52, Grainger Street, at 6.15 p.m.

March 21.—*Cambridge:* Special demonstration, film and lecture—British Tabulating Machine Co., Ltd. Shire Hall, at 7 p.m.
Dublin: "Money and Banking", by Mr. Donal Barrington, B.A., B.L., LL.B. Students' meeting. Jury's Hotel, College Green, at 6.15 p.m.
Plymouth: "The Treatment of Loss Claims", by Mr. R. W. Moon, B.Litt., A.C.A. Law Chambers, Princess Square, at 6 p.m.
Preston: "Consolidated Profit and Loss Accounts", by Mr. P. E. Harris, A.S.A.A. Preston and County Catholic Club, Winckley Square, at 7.30 p.m.

March 22.—*Bradford:* "Consolidated Accounts", by Mr. P. E. Harris, A.S.A.A. Liberal Club, Bank Street, at 6.15 p.m.
Camborne: "The Treatment of Loss Claims", by Mr. R. W. Moon, B.Litt., A.C.A. Community Centre, at 6 p.m.
Cambridge: Special demonstration, film and lecture—British Tabulating Machine Co. Ltd. Shire Hall, at 7 p.m.
Cardiff: "Treatment of Losses in Taxation", by Mr. K. H. Fickling, F.S.A.A. Students' meeting. Park Hotel, at 5.30 p.m.
Lincoln: "Costing", by Mr. W. W. Bigg, F.C.A., F.S.A.A. The Great Northern Hotel, at 6.30 p.m.
London: "The Administrative Scene, 1920–1956", by Sir Henry D. Hancock, K.C.B., K.B.E., C.M.G. Luncheon Club meeting. Connaught Rooms, at 12.45 p.m.

March 23.—*Birmingham:* "Capital Allowances," by Mr. J. W. Walkden, A.C.A. Law Library, Temple Street, at 6.15 p.m.
Cardiff: Dinner. Park Hotel, at 6.30 p.m.
Glasgow: "The Legal Profession and Courts of Law in Scotland", by Mr. J. Stanley Stewart, M.A., LL.B. Students' meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.
Hull: "The Auditor and Mechanisation", by Mr. H. Kennedy. Students' meeting. Church Institute, Albion Street, at 6.15 p.m.
London: Visit to National Provincial Bank Ltd. For 20 students. National Provincial Bank, 15 Bishopsgate, E.C.2, at 9.15 a.m.
Manchester: "Costing", by Mr. S. C. Roberts, F.C.W.A. Students' meeting. Incorporated Accountants' Hall, 90 Deansgate, at 6 p.m.

March 24.—*Leeds:* "The Law relating to Agents", by Mr. J. F. Myers. Students' revision class. 2, Basinghall Square, at 10.30 a.m.
Swansea: "Recent developments regarding (a) Rules of Intestate Succession and (b) Estate Duty," by Mr. R. Y. Taylor, B.A., A.C.A. Students' meeting. Y.M.C.A., Kingsway, at 9.45 a.m.

March 26.—*Coventry:* "Principles of Bank Lending", by Mr. G. F. Deeming, of Lloyds Bank Ltd. Rose & Crown Hotel, High Street, at 6.15 p.m.
London: "Machine Accounting and its Limitations", by Mr. H. O. H. Coulson, F.C.A. Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Luton: Mock income tax appeals, followed by the annual general meeting of the Luton and Bedford Branch, London Students' Society. George Hotel, at 6.15 p.m.

March 27.—*Nottingham:* "Current Topics for Examinees", by Mr. R. Glynne Williams, F.C.A., F.T.I.I. The Reform Club, Victoria Street, at 6.30 p.m.

March 28.—*Belfast:* "General Financial Knowledge," by Mr. A. R. Ilersic, M.Sc. (Econ.), B.Com. Students' meeting. 13 Donegall Square West, at 7 p.m.
Belfast: Luncheon meeting. Talk to be given by Mr. A. R. Ilersic, M.Sc. (Econ.), B.Com. Kensington Hotel, at 1 p.m.
Dublin: "Current Economics", by Mr. A. R. Ilersic, M.Sc. (Econ.), B.Com. Students' meeting. Jury's Hotel, College Green, at 6.15 p.m.
Hull: Joint students' meeting. Y.P.I., George Street.
London: Management Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

March 29.—*Norwich:* Visit to Caley-Mackintosh factory. Tour of factory followed by talk on costing system. Coburg Street, at 2.30 p.m.
Sheffield: Visit to Coalite & Chemical Products Ltd., to view their National accounting machines.

March 30.—*Birmingham:* "Bankers' Lendings", by Mr. R. T. Jones, District manager of Lloyds Bank Ltd. Law Library, Temple Street, at 6.15 p.m.

April 2.—*Hull:* Luncheon Meeting. New Manchester Hotel, at 12.50 p.m.

April 4.—*Belfast:* Luncheon meeting. Talk to be given by Mr. W. W. Bigg, F.C.A., F.S.A.A. Kensington Hotel, at 1 p.m.
Belfast: "Standard Costs", by Mr. W. W. Bigg, F.C.A., F.S.A.A. Students' meeting. 13 Donegall Square West, at 7 p.m.
Dublin: "Costing Examination Questions", by Mr. W. W. Bigg, F.C.A., F.S.A.A. Students' meeting. Jury's Hotel, College Green, at 6.15 p.m.
Southampton: "Executorship Law", by Mr. O. Griffiths, M.A., LL.B. Polygon Hotel, at 6.30 p.m.

April 5.—*Grimsby:* "Negotiable Instruments", by Mr. C. R. Curtis, M.Sc.(Econ.), Ph.D., F.C.I.S. Chamber of Commerce, 77, Victoria Street, at 4.30 p.m.
Grimsby: "Banking and Stock Exchange", by Mr. C. R. Curtis, M.Sc.(Econ.), Ph.D., F.C.I.S. Chamber of Commerce, 77, Victoria Street, at 7 p.m.
Northampton: "Examination Technique", by Mr. R. Glynne Williams, F.C.A. Students' meeting. Plough Hotel, at 6 p.m.

April 6.—*Brighton:* "Taxation—Capital and Investment Allowances", by Mr. L. J. Northcott, F.C.A. Students' meeting. Clarence Hotel, North Street, at 5 p.m.
Glasgow: Scottish Branch annual meeting. St. Emoch Hotel, at 2.30 p.m.
London: Stamp-Martin seminar, opened by Professor B. R. Williams, of the University College of North Staffordshire. "The Objective Basis of Investment Decisions". Incorporated Accountants' Hall, W.C.2, at 6 p.m.
Southsea: Dinner. Royal Beach Hotel, at 7 for 7.30 p.m.

April 6–9.—*Liverpool:* Residential course for students. Derby Hall, North Mossley Hill Road.

April 7.—*Leeds:* "Countering Inflation", by Mr. A. J. Ward. Students' revision class. 2, Basinghall Square, at 10.30 a.m.

Examinations—May, 1956

THE SOCIETY'S EXAMINATIONS will be held on the following dates:

Preliminary:	May 8 and 9, 1956
Intermediate:	May 10 and 11, 1956
Final: Part I	May 8 and 9, 1956
Final: Part II	May 10 and 11, 1956

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester, Newcastle-upon-Tyne and Southampton.

Completed application forms, together with all the relevant supporting documents and the fee (Final, Part I, £4 4s.; Part II, £4 4s.; Parts I and II together, £7 7s.; Intermediate £4 4s.; Preliminary, £3 3s.) must reach the Secretary at Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, not later than March 20, 1956.

Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

Personal Notes

Mr. A. Strudwick, A.S.A.A., has commenced practice at 18 Barter Street, High Holborn, London, W.C.1, under the style of Alfred Strudwick & Co., Incorporated Accountants.

Messrs. R. C. Mundy, Shepherd & Co., Incorporated Accountants, announce that Mr. R. C. Mundy, A.S.A.A., has retired and that Mr. Jack Holt, A.S.A.A., has been admitted as a partner.

Mr. Peter M. Lowick, F.C.A., Bristol, has taken into partnership Mr. G. W. B. Broadhead, A.S.A.A. The style of the firm has been changed from Lowick & Simpson to Lowick & Broadhead.

The partnership of Olver & Spence has been dissolved. Mr. Henry V. Olver, F.S.A.A., is continuing to practise at 5 Fountain Lane, Donegall Place, Belfast, under the style of Henry V. Olver & Co., Incorporated Accountants. Mr. T. R. Spence, F.C.A. (Ireland), and Mr. T. J. F. Griffith, A.S.A.A., are practising as Spence, Griffith & Co. at 14 Corporation Street, Belfast.

Mr. Roy Stevens, A.S.A.A., has taken up the post of accountant to Robert Watson & Co. (Constructional Engineers) Ltd., Bolton.

Removals

Mr. John S. Furler, Incorporated Accountant, has transferred his office to Westminster Bank Chambers, 27 Courtenay Street, Newton Abbot.

Messrs. James Grimwood & Co., Incorporated Accountants, advise that their address is now 33 King Street, London, E.C.2.

Messrs. C. W. Elliott & Co., Incorporated Accountants, have removed to 121 Commercial Road, Southampton.

Messrs. Horace E. Lacey & Co., Incorporated Accountants, have moved their office to 16 Hazelwood Road, Northampton.

Messrs. J. A. Miles & Co., Incorporated Accountants, have changed their address to 6 Laurence Pountney Hill, Cannon Street, London, E.C.4.

Messrs. P. Mitchell & Co., Incorporated Accountants, have removed to 284 Regent's Park Road, Finchley, London, N.3.

Notices

The Accountants' Christian Fellowship will hold the following meetings in March:
March 5—Meeting for Bible reading and prayer. St. Mary Woolnoth Church, King William Street, London, E.C.3, at 12.30 p.m.
March 22."The Bible behind the Iron Curtain", by Pastor A. E. Pokorny (a former Nazi youth leader). Oak Hall of the Institute of Chartered Accountants, Moorgate Place, London, E.C.2, at 6 p.m.

The **Finance Houses Association** issues a warning to the public that before a deposit is made in a company for financing hire purchase transactions enquiries should be made, preferably through a professional adviser, about the financial position of the company. The Association states that many companies are inviting the opening of deposit accounts at comparatively high rates of interest and to safeguard depositors' funds it is important that there should be adequate cover by way of issued share capital and/or free reserves.

The International Economics Students' Association of Great Britain wishes to hear from any Incorporated Accountant who can help in obtaining commercial **employment for a foreign student** for two months or more during the summer. A British student would thus be enabled to work abroad under the Association's trainee exchange scheme, so gaining experience and insight into foreign business methods. The foreign students who seek employment here can all speak good English, and many have a knowledge of typing or of accounting. They can thus be useful as replacements over the peak holiday period. The Association makes all arrangements for their accommodation, reception, National Insurance, and labour permits. The scheme is operated by most of the universities of Europe that have a Faculty of Economics. Correspondence and offers of employment should be addressed to the International Economics Students' Association of Great Britain at the London School of Economics Students' Union, Houghton Street, Aldwych, London, W.C.2.

Classified Advertisements

Two shillings and sixpence per line (average seven words). Minimum ten shillings. Box numbers one shilling extra. Replies to Box Number advertisements should be addressed Box No. . . . , c/o ACCOUNTANCY, *Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.*

APPOINTMENTS VACANT

THE SOCIETY'S APPOINTMENTS REGISTER

Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

A CITY FIRM of Incorporated Accountants, with varied practice, have vacancy for Semi-Senior Audit Clerk with good accountancy experience. Apply, stating age, experience and salary required, to Box No. 330, c/o ACCOUNTANCY.

A COMMERCIAL organisation in British West Africa requires an experienced Accountant with knowledge of Port and Shipping Accounts. Candidates should not be older than thirty-five and should be able to show that they possess initiative and constructive approach to accounting problems. Commencing salary of £1,250 per annum subject to experience and qualifications, free furnished accommodation, medical services and first class passages, family allowances, contributory pension fund providing guaranteed benefits which include widows' and children's pensions. Initial kit allowance of £75, colonial rates of Income Tax, tours of 21 months followed by substantial leave on full pay. Apply to Box No. 340, c/o ACCOUNTANCY.

ACCOUNTANT FOR WEST AFRICA: Firm of practising Accountants require a Chartered, Incorporated or Certified Accountant, for senior staff appointment. The appointment is suitable for a recently qualified man with good practical training, but a man of up to 35–40 with the necessary all-round experience would be considered. Salary, according to experience, would be arranged at interview. Eighteen months' tours, with three months' leave on full salary between tours. Free furnished quarters. Provident Fund. £60 outfit allowance. Low Income Tax. Apply with full particulars to Box No. 360, Dorland Advertising Ltd., 18/20 Regent Street, London S.W.1.

ACCOUNTANT required to take charge of Accounts of small retail furnishing company in West End of London. Salary £600. Applications, stating age, qualifications and experience, to Box No. 347, c/o ACCOUNTANCY.

ACCOUNTANT WANTED FOR BRITISH GUIANA.

Graduate of recognized accounting body. Five years' minimum experience. Industrial and modern methods of financial and cost control essential. Periodic home leave with passages paid for self and family. Married man preferred. Personal and household effects transported at company cost. Semi-furnished homes provided at nominal rentals. Write to Box V.184, c/o Streets, 110 Old Broad Street, E.C.2.

ACCOUNTANT—young, preferably qualified, for professional office in NAIROBI, Kenya. Commencing salary £1,000 p.a. rising £60 p.a., 4-year contract, passages paid, annual bonus, pension and medical aid schemes. Apply quoting OSS.67/2, to OVERSEAS TECHNICAL SERVICE, 5 Welldon Crescent, Harrow, Middx.

ACCOUNTANT, young, qualified, as assistant secretary to progressive manufacturing group in London. Write, stating age, experience etc. to Box CRC 397, 6, Aldford Street, London, W.1.

ACCOUNTANTS young and recently qualified are offered outstanding opportunities to gain a comprehensive commercial experience with a very large retail organisation with central administrative offices in the Manchester area. Positions offered are in the sales and purchase ledger sections of the Company for a minimum period of 12 months, with every facility to study other departments of the business. Opportunities will exist for subsequent promotion to senior accountancy positions within the Group. Commencing salary £550 per annum. Apply in confidence, stating age and when qualified. Box No. 344, c/o ACCOUNTANCY.

ACCOUNTANTS! AUDIT CLERKS! BOOKKEEPERS! If you have the necessary experience we can find a BETTER position for you from dozens now on our books, with no obligation to yourself. Phone or write: HOLMES BUREAU, 10 Queen Street, E.C.4. City 1978.

AN INCORPORATED ACCOUNTANT (not over 30) interested in the installation of efficient accounting methods is required by a large commercial organisation trading in West Africa. Applicants must have a creative outlook to their work. Opportunities are given for rapid advancement, and the commencing salary will be measured by the ability and experience of the applicant, but will be not less than £1150 per annum.

There is a contributory pension fund, and there are allowances for wife and children, in addition to which the Company pays first class fares to and from Africa for the whole family, and provides free furnished accommodation.

Apply giving full particulars to Box No. 339, c/o ACCOUNTANCY.

AN INTERESTING vacancy occurs in a Midland Firm of Machine Tool Manufacturers for a young Qualified Accountant to train in Modern Costing and Management Accounting techniques. Excellent opportunity for a man with initiative. The Company has wide connections both at Home and Abroad. Good working conditions and pension scheme. Salary about £650 per annum. Box No. 335, c/o ACCOUNTANCY.

APPLICATIONS are invited for the permanent appointment of an accountancy and secretarial assistant, Chartered or Incorporated Accountant or Chartered Secretary. Age between 25 and 35. Salary £750 to £1000 depending on age and experience. Pensionable position if satisfactory. Applications giving particulars of present appointment and previous experience should be addressed to the Secretary, SOUTH ESSEX WATERWORKS COMPANY, 342, South Street, Romford, Essex.

ASSISTANT ACCOUNTANT required by old established Company. Splendid opportunity and prospects for man with initiative. Five day week, pension scheme. Full details and salary required to Box No. 311, c/o ACCOUNTANCY.

ASSISTANT Works Accountant required by Midlands engineering company. Applicants should be experienced in all forms of factory records, standard costing and punched card accounting. The position is one of responsibility carrying with it the control and re-organisation of certain factory accounting sections with a view to the installation of punched card accounting. Commencing salary £850 per annum. Pension Scheme. Apply Box No. A.W. 002, 10 Hertford Street, W.1.

AUDIT CLERK (semi-senior) required by City firm of Chartered Accountants. Write, giving details of age, experience and salary required to Box 476, c/o A–J Advtg., 44 Old Bond St., W.1.

AUDIT CLERKS. Many vacancies waiting for Senior, Semi-Senior or Junior. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

CHARTERED Accountants, London, with large and varied practice, require immediately a young qualified accountant. Good prospects for suitable man. No Saturdays. Full details to Box No. 349, c/o ACCOUNTANCY.

IMPORTANT manufacturing Company in London area requires experienced CHARTERED or INCORPORATED ACCOUNTANT, to undertake responsible analytical work in connection with financial aspects of the Company's activities. The duties necessitate efficient and practical co-operation with high levels of factory and commercial management and require outstanding ability, energy, initiative and personality.

Applicants should have a real interest (which they will be expected further to develop) in matters connected with engineering production. Ability to furnish clear and comprehensive reports is essential.

This position offers excellent prospects to a competent and energetic man. Generous pension scheme and five-day week. Applicants should furnish particulars of qualifications and experience and state present position to Box No. 343, c/o ACCOUNTANCY.

INCORPORATED Accountant, Carlisle, requires Senior Clerk, preferably qualified, for expanding practice. Reply stating age, experience and salary required. — Box No. 346, c/o ACCOUNTANCY.

FORD MOTOR COMPANY LTD. has vacancies for young accountants and cost accountants in various fields of finance work. There will be some vacancies for applicants who have not yet passed their Final Examination but have completed qualifying service. Prospects will be exceptional for men of real ability. Age limits 20–35. Good starting salary, increments and promotion on merit, non-contributory pension scheme. Write to Salaried Personnel Department, quoting CJA.

LONDON CHARTERED ACCOUNTANTS invite applications from Incorporated Accountants for the position of Senior Clerk with a view to Articles and eventual Partnership. Apply Box No. 342, c/o ACCOUNTANCY.

MULLARD LIMITED invite applications for the post of Financial Accountant from Chartered or Incorporated Accountants up to the age of 33 who will become directly responsible to the Chief Accountant for the financial and statistical records of the Company. A knowledge of standard costing, budgetary control and mechanised accounts will be an advantage. A contributory pension and life assurance scheme is in operation and the initial salary will be according to age and experience. Applications will be treated in strict confidence and should be sent with full particulars of education, training qualifications and appointments held to Personnel Officer, Mullard Ltd., Century House, Shaftsbury Ave., London, W.C.2, quoting reference no. 795.

QUALIFIED Accountant required by large and progressive firm of London Consulting Engineers. Duties would include the administration of the firm's own accounts and advice to clients on the impact of the Finance Acts on their development schemes. The post is a permanent one and holds excellent opportunities for the right type of man. Please reply in confidence giving qualifications, previous experience, age, etc., to Box No 372 Glovers Advertising Ltd., 351, Oxford Street, London, W.1.

RECENTLY qualified Accountant required as Assistant to Incorporated Accountant in Trustee and Company Department of Solicitors' Office. The work is varied and interesting and offers good prospects to right person. Staff Pension Scheme. Full details to Walker, Smith & Way, 26 Nicholas Street, Chester, marking envelope "Accountant".

TAXATION Assistant, Qualified, required by City Chartered Accountants (5 partners). Commencing salary £700, pension scheme, varied work. Write with details of experience to Box.V.328, c/o Streets, 110 Old Broad Street, E.C.2.

THE INTERNAL Audit Department of a substantial commercial organisation wishes to engage two recently qualified Accountants for service overseas. A constructive outlook will be essential to success as the approach to the work will be as an aid to management which should lead to promotion within the group.

The commencing salary will be £1,150 per annum with furnished accommodation provided and allowances for wife and children. Service will be in West Africa and first class passages to and from will include the family.

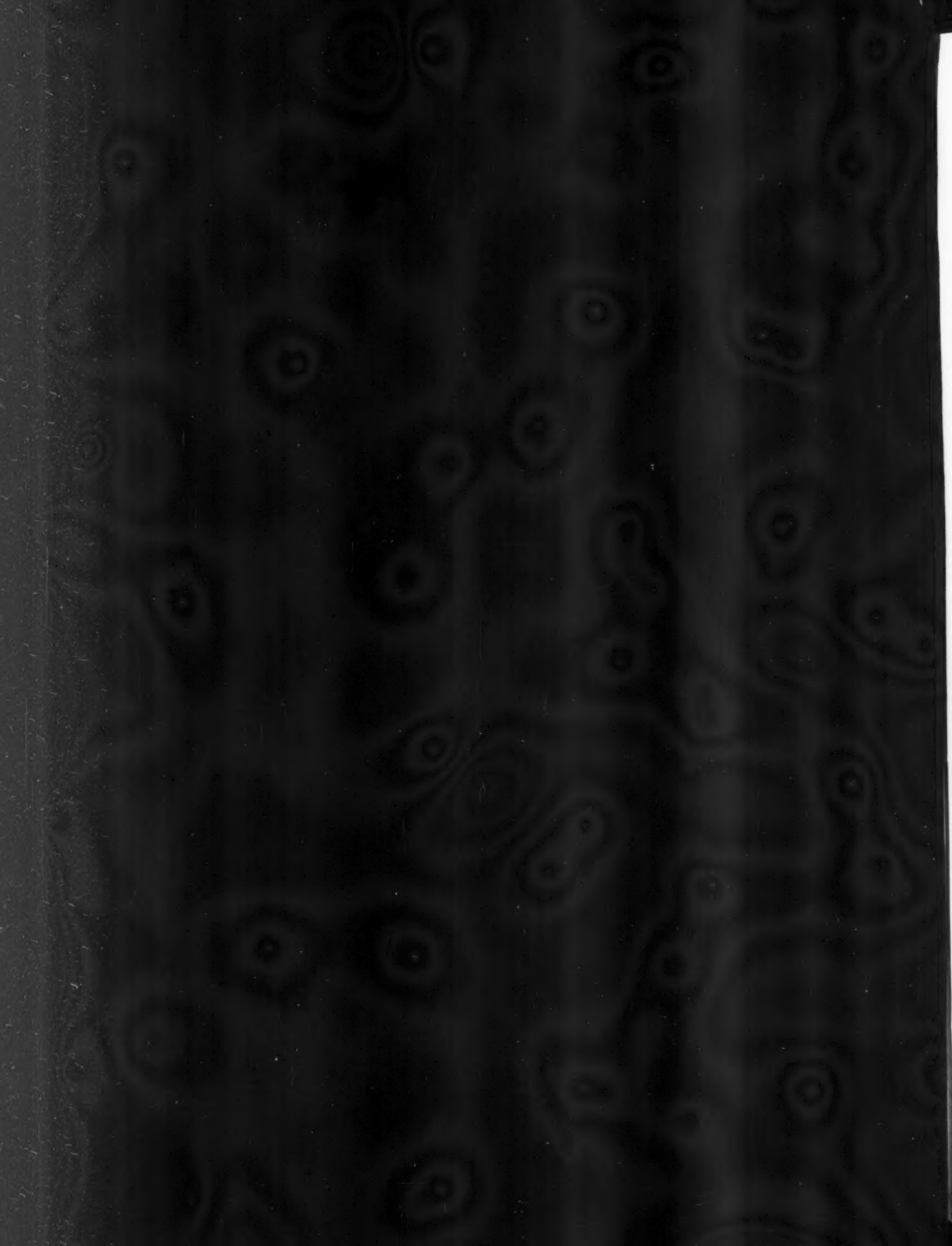
Apply to Box No. 338, c/o ACCOUNTANCY.

VACANCIES available for qualified Accountants in South America, West Indies, Rhodesia, Kenya, Far East and the Continent. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

PRACTICES AND PARTNERSHIPS

ACCOUNTANT (A.S.A.A.) requires small Practice or Partnership. West London, Home Counties preferred. Has small connection & capital. C. O. Bartley, 13 York Road, Weybridge.

INCORPORATED Accountant (29), prospective partner small City firm, requires similar position offering greater scope and responsibility. Box No. 348, c/o ACCOUNTANCY.



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